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NEWS SUMMARY

GENERAL

Sadat expels U.S. reporter

Egyptian President Anwar Sadat yesterday ordered the expulsion of a U.S. journalist for the first time since Cairo and Washington re-established relations in 1974.

Christopher Harper of ABC television news was given 24 hours to leave the country after tapes of a film he made about President Sadat were shown to the foreign Press in Cairo by the Egyptian information service.

There has been much unease in Cairo over the reaction of Western news media to President Sadat's recent clampdown on religious fanatics and political opponents.

Labour men meet

The three candidates for the Labour Party deputy leadership took part in a debate for the first time in the contest. Back Page

Reshuffle talks

Prime Minister Margaret Thatcher is expected to begin consulting Ministers this weekend on a Cabinet reshuffle. An announcement is likely before September 25. Page 8

EEC discussed

Reform of the EEC budget was one of the main topics in two hours of talks between French President Mitterrand and Mrs Thatcher in London. Back Page

Waldheim stands

Kurt Waldheim announced his candidacy for an unprecedented third term as UN Secretary-General. Tanzanian Foreign Minister Salim Ahmed Salim is also standing.

'Guernica' home

Picasso's Guernica arrived in Spain. It had been in the U.S. since 1939 awaiting the return of Spanish democracy, according to the painter's wishes. Pag 2

'Back IRA' call

Former MP Bernadette McAlinskey urged French trade unions to black British goods in support of IRA hunger strikers in Belfast's Maze prison. She was earlier refused entry to Spain.

Cheque charge

Midland Bank is expected to follow Barclays in charging other banks' customers 50p for cashing their personal cheques. Page 8

Crime rate up

There was a murder every 23 minutes and a robbery every minute in the U.S. last year, as serious crime rose 9 per cent, the FBI said.

Brixton bombs

Police believe petrol bombs they found in Brixton were those they sought in an unsuccessful raid in July which led to claims that they had smashed property as they searched.

Thorpe 'wants job'

Former Liberal Party leader Jeremy Thorpe has applied for the post of Greater London Council race relations adviser, said Tory ethnic committee member Sonia Copland.

Fall in reel terms

Cinema attendances last year fell 9 per cent to 100m, a record low. Audience figures in the 1950s often topped 1.5bn. Page 7

No dice

ITV banned the film The Gambler, to have been shown on Saturday, because of its bad language.

Briefly...

Johannesburg had its first snow since 1964.

Lala Jagat Narain, editor and former MP, was shot dead in Punjab, India.

BUSINESS

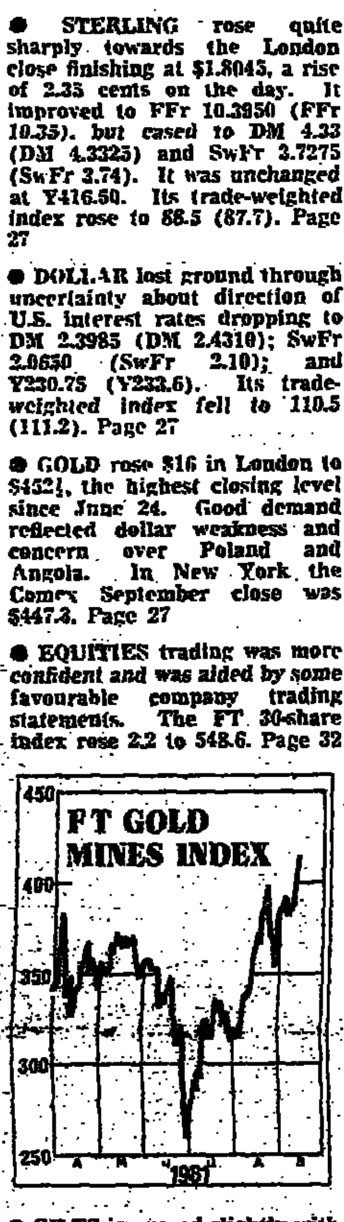
Sterling up, Gold Mines surge

● STERLING rose quite sharply towards the London close finishing at $1.8045, a rise of 2.35 cents on the day. It improved to FFr 10.3950 (FFr 10.35), but eased to DM 4.33 (DM 4.3325) and SwFr 3.7275 (SwFr 3.74). It was unchanged at Y416.50. Its trade-weighted index rose to 88.5 (87.7). Page 27

● DOLLAR lost ground through uncertainty about direction of U.S. interest rates dropping to DM 2.3985 (DM 2.4310); SwFr 2.0650 (SwFr 2.10); and Y230.75 (Y233.6). Its trade-weighted index fell to 110.5 (111.2). Page 27

● GOLD rose $16 in London to $452¼, the highest closing level since June 24. Good demand reflected dollar weakness and concern over Poland and Angola. In New York the Comex September close was $447.3. Page 27

● EQUITIES trading was more confident and was aided by some favourable company trading statements. The FT 30-share index rose 2.2 to 548.6. Page 32



● GILTS improved slightly with the Government Securities Index up 0.18 at 64.03. The FT Gold Mines index jumped 16.8 to 415.6—a gain of nearly 9 per cent over the past four trading sessions. Page 32

● WALL STREET was up 6.47 at 860.35 near the close. Page 30

● NORTH SEA £2.7bn gas gathering pipeline's future was still in the balance last night after a financing meeting attended by Mrs Thatcher and senior Cabinet members ended in deadlock. Back Page

● BRITISH NATIONAL Oil Corporation plans a joint application for oil exploration and production licences in Denmark with Dansk Olie and Naturgas state corporation. Page 7

● UNIGATE, one of Britain's leading dairy grocery groups, is to stop making cooked ham products with the loss of 1,500 jobs, mainly at the Scot Meat plant at Bletchley, Bucks. Back Page

● UK SHIPPING earned £3.75bn overseas in 1980, down from £3.84bn the previous year. Page 8

● CBI SCOTLAND'S new chairman, Mr James Goold, called for government stimulus, saying Scottish companies lacked confidence to climb out of the recession. Page 7

● NCB pension funds returned to U.S. property investment market to take 5½ per cent share stake in Realty and Mortgage Investors of the Pacific. Page 10

● ICL is to make and market a powerful microcomputer developed by Three Rivers Computer, a small U.S. company. Page 8

COMPANIES

● TOTAL oil group's French parent company, Compagnie Francaise des Petroles, reported a 20 per cent drop in net profits to FFr 453m (£43.5m) for the first half of this year. Page 25

● BTR, the international industrial group, reported pre-tax profits up 20 per cent at £41.6m for the six months to July 4. Page 20; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 11¼pc 1989	£83¾	+ ⅛
Treas. 12¼pc 2003-05	£87½	+ ½
Amal. Metal	395	+ 13
Channel Tunnel	147	+ 17
Durapipe	39	+ 14
Gaunt (Rowland)	80	+ 10
Grant Brothers	143	+ 20
ICI	276	+ 14
Linfood	160	+ 6
P & O Dfd.	115	+ 5
Raybeck	49	+ 4
Sedgwick Forbes	155	+ 4
Stewart Plastics	150	+ 4
Anglo Am. Gold	£50½	+ 2½
Central Norseman	537	+ 50
Gold Fields SA	£44	+ 2¼
Gold Mn. Kalgoorlie	500	+ 20
Kitchener Mining	215	+ 30
Kloof Gold	£18¾	+ 1¼
Randfontein Ests.	£29½	+ 1⅞
Vaal Reefs	£38	+ 1½

FALLS

Argyll Foods	117	− 4
Black Edgington	55	− 5
Davy Crpn.	178	− 21
Distillers	190	− 5
Haynes Publishing	138	− 7
Yorkshire Chems.	35	− 3
Berkeley Explor.	310	− 13
Geevor Tin	170	− 20

Solidarity demands free elections to national parliament

BY OUR FOREIGN STAFF

POLAND'S Solidarity union yesterday confronted the Communist Government with a demand for free elections to the national parliament and regional councils.

This is the most contentious claim in a seven-point challenge to Communist supremacy in Poland issued in Gdansk at the end of the first stage of the union's first national congress.

Denounced from Moscow as "an anti-socialist, anti-Soviet orgy," the congress flew in the face of orthodox Soviet rules with demands for:

● Economic reform through genuine worker management, and abolition of the party's exclusive right to key posts;

● Public control of the mass media;

● A share in the control of food production, distribution and pricing for Rural Solidarity, the farmers' branch of the main union;

● Freedom for political prisoners and an end to "oppression;"

● Improved health care;

● Increased coal output through improved conditions for miners.

Meanwhile the 100,000 Soviet troops manoeuvring close to the border stepped up their activity. Western intelligence reported that a 60-vessel fleet was preparing for a massive landing exercise only 40 miles away from Gdansk.

Closing the six-day meeting, Mr Lech Walesa, the union's leader, whose position seems certain to be strengthened, said: "We have the chance to create the Poland of which our ancestors could only dream.

"If our programme is bad we shall bear the blame."

The union's call for free elections, like its offer earlier in the week to help other Soviet bloc workers to establish unions on the Solidarity pattern, is certain to infuriate Moscow.

In Poland, as in all other Communist ruled countries, the only people allowed to stand for election are those approved by the party.

Similarly, Communist doctrine insists that all means of production should remain under ultimate control of the party.

The congress veered away, however, from an issue which could have led to an immediate clash with the Polish Government when delegates shelved a resolution which directly challenged the supremacy of the Communist Party in Poland.

The Kremlin, which has so far been relatively slow to react to the increasingly provocative tone of the congress, responded rapidly yesterday.

"The congress has grown into an open struggle against the Polish Party and the Government," declared Tass, the official news agency.

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Government vetoes Enserch bid for Davy Corporation

BY ALAN PIKE

THE GOVERNMENT decided yesterday that a U.S. bid for Davy Corporation, Britain's largest engineering contractor, should not be allowed to go ahead after the Monopolies and Mergers Commission concluded the proposed merger could hit Davy's export performance.

Sir John Buckley, Davy's chairman who has campaigned vigorously against the bid for his company from Enserch Corporation, the international energy group based in Dallas, Texas, declared himself very pleased with the outcome. But Davy's share price fell 21p to 178p.

The Enserch bid for Davy was worth £143m when it was made last December. It lapsed automatically when the proposed merger was referred to the Monopolies Commission, but Enserch was ready to renew it if the decision had been in its favour.

In its report the commission concluded that, since Enserch does not engage in engineering contracting in the UK, there could be no question of detriment to the public interest arising from reduced competition.

However, the commission said it could foresee detriments to exports and employment arising from the loss of Davy's national character as a British bidder in overseas markets, the lengthening of the chain of management command and the effects of certain U.S. legislation on the export of technology.

"We therefore conclude that the proposed merger may be expected to operate against the public interest because it would be likely to lead to a lower level of exports of both engineering services and manufactured goods."

The commission — which said Enserch appeared to have a very limited knowledge of Davy's business — felt the predicted reduction in Davy's operations would be "damaging to the development and diffusion of engineering skills in the British economy."

Sir John said yesterday that his management and workforce were delighted with the outcome of the investigation. The commission had conducted a very thorough inquiry and he was sure that the other side had been given the same opportunities as Davy to present its case in detail. "I do not criticise Enserch. They are very good at what they do, but they don't do what we do."

Enserch, said it was very disappointed. "We thought we had met the areas of concern of the commission and the British Government. We had proposed that while answerable to the U.S. Davy would continue to operate, as now, as a British company."

Davy employs 12,000 contracting staff worldwide, 30 per cent of whom are in the UK, and 5,000 manufacturing employees, mostly based in the UK.

Enserch Corporation and Davy Corporation Ltd: A report on the proposed merger — The Monopolies and Mergers Commission, HMSO £5.10.

Why Britain blocked Enserch, Page 18
Lex, Back Page

Blow to Reagan's budget hopes

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT RONALD REAGAN yesterday received another sharp blow in his battle to balance the U.S. budget as a key Congressional agency put the likely 1984 deficit at $50bn (£28bn) even after further spending cuts.

Mr Reagan, who has still not publicly abandoned his goal of a balanced budget in that year, continued his week-long series of meetings with his top advisers in the hope of identifying a major new batch of spending cuts—possibly totalling $70bn over three years—by early next week.

The report from the Congressional Budget Office put the deficit for the 1982 fiscal year, which begins on October 1, at a projected level of $80bn. But it assumed a further $15bn of new spending cuts in 1982, giving a final estimate of $65bn for the year—still more than $20bn higher than the Administration's target of $42.5bn.

To get to the $50bn deficit for 1984, the office assumed further spending cuts of about $35bn in 1983 and about $50bn in 1984—rather more than Mr Reagan has said he is envisaging.

The White House immediately challenged the figures, saying there were important differences between the Administration's assumptions and those on which the Budget Office had worked. The differences covered spending rates, the likely level of interest rates and the President's determination to cut back federal spending, the White House said.

Otherwise, however, the report was remarkably optimistic about the American economy which, it said, was in better shape than for many years. Mr Reagan's tax cuts and the recent moderation in inflation should lead to a pick-up in economic growth later this year, and strong growth with slowing inflation in 1982, it said.

The report came as Congressmen, both Republican and Democratic, returned from their constituencies to Capitol Hill in a mood of heightening anxiety about the continued high level of interest rates. The Republicans fear that interest rates could do them great damage in next year's crucial mid-term elections.

However, President Reagan said, during a break in his meeting with economic advisors, that he was optimistic that interest rates will soon fall.

Mr Anthony Solomon, president of the New York Federal Reserve Bank, was meanwhile arguing that nothing in the Administration's strategy had dissuaded him from his view that the U.S. Federal Reserve Bank is still being asked to shoulder too large a part of the burden of defeating inflation.

Mr Solomon who — like Mr Paul Volcker, the Fed chairman — is a long-time proponent of the view that tight monetary policy from the Fed needs to be backed by long-term fiscal discipline, said: "The Administration's tax and spending cuts to date do not fundamentally change that relative burden."

He warned that too much cheer should not be drawn from recent improvements in the inflation figures. The fall in the rate of consumer price growth was, he said, caused by a slowing in energy and food prices, rather than any reduction in the "core rate" of inflation.

He told an audience of savings and loan association bankers, whose institutions have been battered by high interest rates, that it would be unrealistic for them to expect current strains "to disappear quickly."

Reagan and Begin meet, Back Page

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British Airways to axe 9,000 jobs and freeze pay

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is putting a massive rescue plan into immediate effect, including cutting out another 9,000 jobs and freezing pay for a year, in a bid to stem mounting losses.

The plan, approved by the Board under the new chairman, Sir John King, includes drastic cuts in routes, fleet, stations and engineering bases, as well as further property sales, transferring catering to outside contractors and axing many other activities including the College of Air Training, Hamble.

Announcing the plan to staff and unions yesterday Mr Roy Watts, deputy chairman and chief executive, said that in addition to last year's £145m post-tax losses there was the prospect of another £100m loss this year.

"We face the prospect that by next April we shall have piled up losses of close to £250m in two years. Our money is draining away at the rate of nearly £200 a minute."

Details of cuts, Page 7
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First reactions from the trade unions to the cuts were muted. Some shop-stewards declared themselves stunned and shocked.

Most of the senior representatives of the unions concerned were in Blackpool at the TUC conference when cuts were announced.

Some national officers of the unions concerned were recalled from Blackpool to attend an emergency meeting of the union side of the National Joint Council for Civil Air Transport.

They included Mr Mark Young of the British Air Line Pilots' Association, Mr Jack Whyman of the Engineering Union and Mr Tudor Thomas of Apex.

The meeting was still in progress late yesterday and a statement from the union side is expected today.

Before leaving Blackpool however Mr Whyman warned that his union would oppose compulsory redundancies. He said the union had co-operated in trying to improve the situation at British Airways with a programme of voluntary redundancies but it was time to draw the line.

Mr Watts gave the following details of the rescue plan, so far as staff and pay are concerned:

● The 9,000 to go will be out by next June, cutting total staff to 43,000. All will go on a voluntary basis but compulsory cuts will be introduced if voluntary measures fail.

● All levels — management, pilots, administration, engineering and others — will be included. The anual pay-bill will drop from £700m to £600m.

● There will be no pay increases for anyone until at least the end of September, 1982.

● The airline is also proposing there should be no increase in shift pay and London weighting in 1982, other than that required to equalise current payments on National Sectional Panels.

● The airline is to negotiate ways of reducing the cost to British Airways of staff pensions, currently costing the airline more than £67m a year.

● A great many working practices will have to change. Where formal agreements are involved, with ground or flying staff, these are to be renegotiated "with the utmost speed."

● Among passenger routes to go by the end of next March are Heathrow to Luxembourg, Manchester and Prestwick to New York and Birmingham to Brussels.

● The specialised freight-only aircraft, one Boeing 747 and three Boeing 707s, are to be sold because of continuing losses.

However, freight will still be carried on passenger services, currently accounting for 80 per cent of all BA's freight traffic.

Outlining the problems facing the airline, Mr Watts said: "Unless we take decisive action now there is a real possibility British Airways will go out of business for lack of money. We have to cut our costs sharply and we have to cut them fast. We have no more choice and no more time."

Mr Watts denied however that the measures were panic ones. "They have been carefully thought out. We shall do nothing that will undermine the basic strength of our fleet, our international and national routes, and our great technical and commercial resources. However painful this exercise, we shall come out of it both leaner and stronger."

Mr Watts said the fundamental aspect of the plan was to cut manpower costs quickly and substantially. The staff bill of £700m had to be cut immediately by £100m a year "if we are to survive." Already, staff had been cut by 4,300 to 52,000 in 1980-81.

Speaking later at a Press conference at Victoria Air Terminal, London, Mr. Watts said he was "quite happy that we will have a cost structure

Continued on Back Page

£ in New York

	Sept. 9	Previous
Spot	$1.7920-7940	$1.7850-7870
1 month	0.55-0.62 pm	0.75-0.80 pm
3 months	1.90-2.00 pm	2.08-2.18 pm
12 months	6.70-6.90 pm	6.70-6.90 pm

Lord Grade confesses he has a 'very bad fault'

By John Moore

LORD (LEW) GRADE, chairman of Associated Communications Corporation, the entertainments conglomerate, gave a tantalising glimpse yesterday of the background which led to last week's resignation of Mr Jack Gill, the group's managing director and Lord Grade's right-hand man.

Addressing a crowded Press conference on the sixth floor of the company's headquarters in London after a shareholders meeting, Lord Grade said: "I gave my word that I would not discuss the matter of Jack Gill's departure from this company. And he gave his word that he would not discuss it either.

"However, I have a bad fault, a very bad fault. I like to pat people on the back. Maybe sometimes I patted too often."

Smoking one of his king-sized cigars, Lord Grade invited journalists to admire his tie, patterned with many heads of Kermit the frog, a character in the group's successful Muppet series.

He dismissed suggestions that a coup may have been mounted, led by Mr Gill, to remove Lord Grade from the chairmanship.

"Absolutely not," he rapped. Nor, he stressed, was Mr Gill fighting the group's controversial involvement in film production which led to large losses in the past financial year.

Lord Grade said legal formalities were still taking place over the question of compensation to be paid to Mr Gill. It has been estimated Mr Gill could receive up to £500,000.

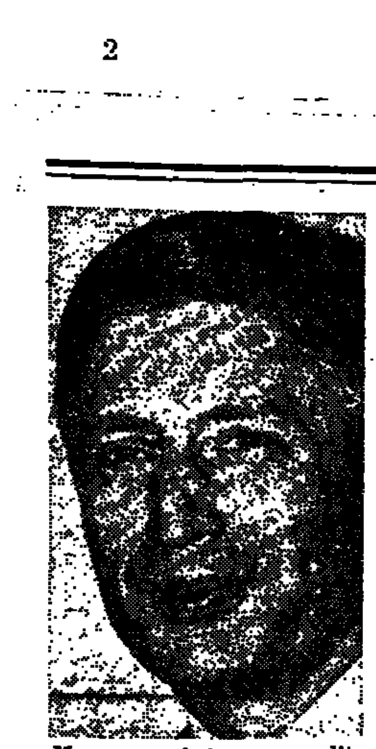
Mr Robert Holmes à Court, the Australian newspaper and television entrepreneur who has built up a 28 per cent holding in the group's non-voting shares, sat in the front row of the shareholders' meeting. He and Lord Grade posed for photographers after the meeting.

Lord Grade laughed off suggestions that Mr Holmes à Court might lead an attempt to topple him as head of Associated Communications. He reminded those present that even at 74 he was getting younger and younger.

"I can still do the Charleston. Who the hell can lead a coup against me?"

Mr Holmes à Court is, however, unlikely to receive any of the voting shares of the company.

Details of meeting and pictures, Page 20
Men and Matters, Page 18



Mr van Agt: personality clashes ahead

Netherlands Cabinet to be sworn in

By Charles Batchelor in Amsterdam

THE NETHERLANDS' new left-of-centre Government, with Mr Dries van Agt as Prime Minister, will be sworn in today after more than three months of tough negotiations over a coalition programme. The 15 Ministers will take the oath in a ceremony at Huis ten Bosch, the official residence of Queen Beatrix, in The Hague.

The new Government, the country's sixteenth since the end of the Second World War, is, in the view of many politicians, already sitting on "a time-bomb" because of its failure to agree on defence policy, specifically on Nato's proposal to station new medium-range nuclear missiles in western Europe.

The new Government will comprise three parties with 109 MPs in the 150-seat Lower House of Parliament. The Christian Democrats, with 48 seats, provide a link with the previous Centre-Right Government which they also headed, while Labour, with 44 seats returns from four years in opposition.

The smallest of the three parties, Democrats 66, with 17 seats, is expected to be called on frequently to smooth over differences between the two big parties.

The new Government will have a more comfortable majority than its Christian Democrat-Liberal predecessor, which commanded 77 seats in Parliament, but is likely to be a less harmonious coalition. The protracted negotiations over a common programme highlighted the policy and personal differences between, in particular, Labour and the Christian Democrats.

The Labour Party is categorically opposed to the stationing of 48 Cruise missiles in the Netherlands as part of Nato's missile arsenal while Democrats 66 is against accepting the missiles in present circumstances.

A majority of the Christian Democrats is in favour of using the missiles as a bargaining counter is disarmament talks with the Soviet Union although a minority of MPs is opposed to their deployment.

The parties have now agreed to take a decision on the missiles at an unspecified time, partly on the basis of their electoral programmes and partly on the basis of Cabinet thinking at the time. This amounts to a rejection of the Nato deadline of December for a Dutch decision.

The opposing views of the three parties mean, however, that if a decision becomes necessary, it is almost certain to lead to the fall of the Government.

A personality clash between Mr van Agt, the Christian Democratic leader, and Mr Joop den Uyl, leader of the Labour Party, dogged the coalition negotiations and is expected to cause problems during the life of the Government.

Mr van Agt will be serving his second term as Prime Minister with Mr den Uyl as one of his two deputies and Minister of Social Affairs. It was Mr van Agt who brought down the den Uyl Government in 1977.

The leader of Democrats 66, Mr Jan Terlouw, will be a Deputy Prime Minister and Minister of Economic Affairs

The wind of change in Oslo is blowing in favour of the Right, reports **William Dullforce**

Norway's divided Labour Party faces the electoral test

NORWAY IS set for a switch in political power next week. All the opinion polls indicate that in the general election on Sunday and Monday, the ruling Labour Party's opponents will collect enough votes to oust it from office after eight years' uninterrupted rule.

Mr Kaare Willoch, a 52-year-old economist and the Conservative Party's parliamentary leader, is expected to replace Dr Gro Harlem Brundtland in the Prime Minister's office.

Dr Brundtland, 42, who became chairman of a divided party and leader of a jaded Government in February, quickly reversed the declining trend in public support for Labour. But the "Gro wave" has not been sustained, in spite of her popularity

A leadership struggle within the party has hampered the Government's efforts to cope with the problems of an economy overheated by offshore oil and gas development.

The polls still put her between 6 and 7 per cent short of the 42 per cent vote which Labour achieved in the 1977 election and on which it was able to form a minority Government.

KAARE WILLOCH: Conservative Party leader

HOW THE 1977 ELECTION ENDED

	Percentage of votes	Seats in the Storting
Labour	42.3	76
Left Socialists	4.2	2
Conservatives	24.5	41
Christian People's Party	9.8	22
Centre Party	8.0	12
Liberals	2.4	2

GRO HARLEM BRUNDTLAND: Labour Prime Minister

The wind of change has continued to blow strongly in favour of the Conservatives, who will have their best election for more than half a century. They are poised to pull in around a third of the votes, compared with the 25 per cent they polled in 1977.

Together with the Christian People's Party and the Centre Party, the Conservatives should come close to obtaining the backing of half the electorate, which Norway's system of proportional representation would give the three parties a majority in the 155-member Storting.

They would find this sweet revenge for the 1977 election, when the non-Socialists were baulked by a recount, which switched one seat to the small Left Socialist Party and gave the two Socialist parties a majority of one in the Storting.

However, it by no means certain that the non-socialist parties could form a coalition government. They are divided over abortion, an issue of special importance to the Christian People's Party, which seeks to change the law allowing women the right to decide for themselves whether to have an abortion.

The alternative to a coalition would be a minority Conservative cabinet. In either case, Mr Willoch can be expected to be Prime Minister. There are many Conservative politicians who feel that a wholly Conservative cabinet would be the most effective.

The swing to the right in Norway is the result of a steady accumulation in Conservative support during the last decade, rather than on any dramatic change. The party has taken votes from both Labour and the smaller parties in the centre. It particularly benefited from the collapse of the Liberal Party after the Norwegian referendum on Norwegian membership of the EEC in 1972, on which the Liberals were divided.

The spread of higher educa tion has helped the Conservatives, who have strong support in the universities and among young graduates.

The most powerful factor in their favour, nevertheless, may have been the widening public discontent over the political splits and the leadership struggle within the Labour Party.

Labour's failure to solve Norway's economic problems was highlighted last month, when the Government clamped on a price freeze for the second time in three years, as inflation accelerated towards 15 per cent.

The Conservatives have promised to cut income tax and corporate tax, to stimulate work and savings and open the way for recovery in industrial output on the mainland. They plan to start dismantling bureaucratic regulations. gradually.

The Conservatives want to curb the influence of Statoil, the state oil company, and to give other Norwegian oil companies, notably Norsk Hydro and Sagan bigger shares in offshore concessions. They would also return Norol, the state oil marketing company, to private ownership.

Neither side has pressed foreign political or defence differences during the election, although the proposal for a Nordic nuclear weapon-free zone, which originated in the left wing of the Labour Party, has been one of the most controversial political issues

A victory for the non-socialists would reassure the bigger Nato countries about Norway's attitude to the proposed zone.

Police escort for 'Guernica'

By Robert Graham in Madrid

LIKE THE long-awaited return of an exile, Pablo Picasso's "Guernica" arrived in Spain from New York early yesterday.

Sr Inigo Cavero, Minister of Culture, who conducted negotiations for possession of the painting, watched weary-eyed as it was unloaded from the hold of an Iberia jet into a furniture van at Madrid airport.

Guernica, which has come to symbolise the agonies and fraticidal divisions of the Spanish civil war, was then escorted by a dozen police cars, motorcycle outriders and two helicopters to an annexe of the Prado Museum.

63 sketches

The painting has been in the U.S. since 1939 and has been housed in New York's Museum of Modern Art since 1943. With 63 accompanying sketches and studies, it was handed to Sr Cavero on Wednesday.

For the journey to Spain the 11 ft x 25 ft canvas was removed from its mount and rolled. After brief restoration work, it is due to go on permanent display on October 25, to coincide with centenary of Picasso's birth in Malaga.

The painting was inspired by the destruction of the town of Guernica by the German Luftwaffe on April 26 1937. The town was well behind the civil war battle lines and the attack was later admitted to have been the first experiment in blanket bombing.

Eight stages

Picasso's composition evolved through at least eight stages over two months. The final work in desolate tones of black, grey and white is a savage indictment of the horrors of war: the raw anguished pain of a mother with dead child, the desperation of a person trapped in a burning house, a mutilated body, the savage suffering of a wounded horse, a bewildered bull and a sun that has been reduced to the feebleness of a light bulb in the holocaust.

Just before the bombing, Picasso had been commissioned by the Republican Government to do a large work for the Spanish pavilion at the Paris International Exhibition. The tragedy of [illegible] show his anger over the civil war in which, as a Communist, he vigorously opposed the Nationalist forces of General Franco.

Taboo art

Picasso's anti-Franco stand, coupled with the regime's refusal to admit responsibility for Guernica, made the picture taboo in Spain. But in 1968, after the acceptance that Picasso was a great Spaniard, an attempt was made to recover the painting. Picasso refused saying he would never let the painting go until Spain was a republic and democracy was restored.

That remained his wish at his death in 1973, but following the death of Gen. Franco in [illegible] made to recover the painting. Objections from some Picasso heirs and to Spain's democratic credentials, and some reluctance by the New York museum to let the work go, dragged matters out. A turning point came when the Span[illegible] a commission payment to Picasso by the Republican Government.

France to accept N-inspection

By David Fishlock, Science Editor

FRANCE has agreed, for the first time, to admit international nuclear inspectors to its nuclear plants and research centres.

The International Atomic Energy Agency in Vienna announced yesterday that agreementhad been reached between the agency, the Europan Atomic Energy Community (Euratom) and the French Government for the application of safeguards

Safeguards are the system of inspections and verifications applied by the IAEA to certify that civilian nuclear materials such as plutonium and enriched uranium are not diverted into nuclear weapons. France is the third nuclear weapon state to open its nuclear facilities to IAEA inspectors, after Britain and the U.S.

Fransce, like Britain and the U.S. has its military nuclear production activities entwined with civil activities in some facilities and research centres. But Britain allows access to nuclear power stations, research centres, and to parts of the Sellafield (Windscale) nuclear reprocessing plant dealng with the civil nuclear programme.

Opposition denounces Mitterrand's plans

BY DAVID HOUSEGO IN PARIS

FRANCE'S conservative opposition, still reeling from its defeat in the presidential and legislative elections, has made its first serious challenge to the new Socialist administration in putting down a motion of censure in the National Assembly.

M Renä Monory, Minister of Economy under President Giscard d'Estaing and now a senator, yesterday spoke to the Financial Times in the wake of the Government's announcement of its new nationalisation and tax measures. Among major points were:

Nationalisation: I am fiercely against what has been done, not least because over the past four yevrs, as Minister, I encouraged hundreds of thousands of savers to turn to the Bourse. It goes without saying that after these massive nationalisations the Bourse will lose its attraction and importance.

Nationalisation will also add a crippling additional tax burden to firms still in the private sector. Over the past 10 years the amount made over by nationalised companies to the state has been far less than that by comparable private companies. Compare, for instance, Renault (state-owned) and Peugeot (private). If you increase the number of nationalised companies, there remain a smaller number of private companies to pay the overall tax bill.

Budget deficit: It is going to increase from the FFr 40bn (£3.8bn) (that we envisaged) to FFr 120bn next year. There are two reasons why this is insupportable. The increases in the budget are essentially for financing consumption, social security etc. At a time when growth is bound to be low, this will mean less for the investment that is needed to improve the competitivness of our industry and our energy independence. This is at a time when our European partners are putting more weight on investment than consumption.

The second reason is because of the pressure it will put on the bond market. With a budget deficit of FFr 120/130bn the state's needs will squeeze borrowings by banks and large companies for productive purposes. Thus borrowing for productive needs will be reduced. The alternative is to create more money but that will diminish the value of our currency very rapidly with effects on inflation and our trade balance.

Our policy was to hold down the growth of the money supply and the budget deficit. If our currency is under attack today it is because international experts judge the economic policy of this Government to be suicidal. What I fear the most is that in two or three years we will lose part of the gains we made.

M René Monory: a gloomy prospect

Parity of the franc: I do not want to be defeatist. There has already been an effective devaluation of the franc against the dollar with which we have a floating rate. As against the D-Mark (with which we are linked in the European Monetary System), there will be problems. France is likely to have an inflation rate of 15 per cent this year against West Germany's 5½ per cent. I am not sure that, with this formidable difference in inflation rates, we can continue long without a realignment in the EMS. If this takes place, then our import bill will go up. In my opinion we have got on to a vicious spiral which other countries have known and where the pace can accelerate when there is no rigorous policy to prevent it. I hope my forecast is wrong because I want France to succeed.

Interest rates and investment: Investment is paralysed today not only because of (high) interest rates but because the heads of industry have lost confidence. They can see deficits in the national budget and in the budgets of the social security and unemployment benefits system. They know there must be a day of reckoning and that they will have to pay more in tax and social security payments.

The opposition: When people are paying the bill in 1982 and 1983 (for what is being done now) there will be a change in our popularity.

Revival plan for Spanish textiles

By Our Madrid Correspondent

AGREEMENT has been reached on all the key points of a five-year restructuring plan for the Spanish textile industry after nearly a year of negotiations involving manufacturers, the Government and the trades union.

The plan envisages new investment of Pta 150bn (£844m) and a trimming of the 420,000 workforce by around 20 per cent, largely by natural wastage and early retirement.

The text of the decree laying out the plan underlines the vital nature of the sector to Spanish industry and the urgent need to bring it into line with European Community manufacturers. The textile sector, including synthetic fibres, accounts for 9 per cent of industrial production, 10 per cent of industrial employment and consists of over 2,700 companies mostly small or medium in size.

The main emphasis of the plan is to raise both productivity and quality, aiming for higher added value through new technology, capital intense investment and better management.

By setting up a special Government-backed executive committee to monitor the reconversion process, the textile business hopes to achieve grearter co-ordination among the mass of small companies on marketing and design.

The Government has agreed to provide aid to ease the cash flow and debt position of private textile companies. Those who agree to accept the conditions of the plan and the dictates of the new executive committee will be able to delay social security debts for a maximum of three years and tax arrears for a maximum of six years, so long as interest is paid.

The Ministry of Industry will assist new investment in fixed assets with a subsidy of up to 20 per cent of the total value, and in the case of intangible assets such as technology and marketing, up to 30 per cent.

Soft official credit will be made available via the official credit institute. The plan permits subsidies and cheap credit to cover up to 70 per cent of total new investment. For the rest of this year the Government has agreed to set aside Pta 2bn for subsidies, Pta 2bn in cheap credit and a similar sum to cover guarantees.

Over the next five years at current prices, the Government is expected to hand out Pta 45bn in subsidies, Pta 43bn in cheap credit and to offer Pta 31bn in guarantees

No figure has been given for overall job losses. One unresolved point is that of reducing the working week. The unions want a 40-hour week, with tight rules on overtime to preserve jobs.

EEC likely to seek end to 'rogue' sugar status

BY OUR BRUSSELS CORRESPONDENT

FOREIGN MINISTERS of the European Community seem likely to agree on Monday that it is time for the EEC to end its "rogue" status as a major sugar producer and to try to join the International Sugar Agreement.

The move would be made in the interests of better North-South relations and the impetus has come from the British Government supported by the Danes and the Dutch, but the prospects have been greatly enhanced by the change in the French Government.

The new emphasis in Paris on improving North-South relations makes it difficult for President Francois Mitterrand to stay with his predecessor's policy of stonewalling any move in the direction of the ISA.

The agreement, last renegotiated in 1977, attempts to safeguard the interests of Third World sugar producers by fixing export quotas to stabilise world prices in times of over-supply. As a major exporter the EEC has been castigated repeatedly for not subscribing to the agreement. Both Australia and Brazil have repeatedly charged the EEC with dumping sugar on the world market.

The International Sugar Council is due to meet in November to consider the future of the current agreement which expires next year. EEC officials believe now is the best time to negotiate.

The size of the quota available will largely determine the possibilities of EEC membership of the agreement. Officials think that this needs to be at least in the 3m tonnes to 4m tonnes a year range, which is the Community's export average for the last three years. The other world sugar producers would almost certainly push for a lower figure.

But Community membership of the ISA seems even more imperative in the eyes of these producers because of the sharp fall in world prices since the beginning of the year, and because the EEC is heading for a bumper sugar crop.

Some estimates expect 15.53m tonnes of EEC sugar this season, although the Commission's forecast is 13.5m-14m.

Hilary Barnes adds from Copenhagen: Mr Kjeld Olesen, Danish Foreign Minister, has denied reports that Foreign Ministers of the Ten have agreed to give the EEC Commission an active role in foreign policy co-operation.

Juggernaut campaign scores a win

By Giles Merritt in Brussels

BRITAIN'S staunch rearguard action inside the Common Market against the admission of ever-larger juggernaut lorries to its roads has been rewarded with a minor victory.

The European Commission disclosed in Brussels yesterday that under pressure from the European Parliament, where a number of British MEPs have contested the juggernaut issue, it is now amending proposed rules governing lorry weights.

Instead of urging that 44 tonnes should in future be the maximum weight of commercial vehicles, the Brussels authorities will be recommending that the upper limit should be brought down to 40 tonnes.

The commission has also agreed to a second revision of the controversial juggernauts directive that it first put forward in 1978. Rather than demand that EEC member states consult Brussels before taking any measures nationally to exclude vehicles from unsuitable roads, the Commission now says that it will merely require to be informed.

The 40-tonne maximum lorry weight is, however, still well above the 38-tonne limit that the British Government is understood to view as an acceptable increase

German is favourite for MEPs' presidency

BY OUR BRUSSELS CORRESPONDENT

EGON KLEPSCH, a West German Christian Democrat, has emerged as the most strongly fancied candidate to succeed Mme Simone Veil as president of the European Parliament following his adoption as the candidate of the largely Christian Democrat, European People's Party.

Herr Klepsch, aged 51, beat his rival, the former Belgian Prime Minister, Mr Leo Tindemans, by 56 votes to 48 at a party caucus meeting in Luxembourg. The West German may be in a strong position now to line up enough of the centre-right majority in the Parliament behind his candidacy in the 18th presidential ballot next January. The Parliament has 434 members and the winner needs an absolute majority of votes cast.

Mme Veil, a Liberal, was elected for two-and-a-half years in July 1979 and has already announced that she will not stand again.

Other candidates who have declared themselves or are expected to run include Sir James Scott Hopkins, leader of the largely British Conservative European Democrats and Mr Pieter Dankert, a prominent Dutch member of the Socialist group.

The Christian Democrats have provided 16 past presidents, the Socialists four and the Liberals three.

The parliamentary presidency is regarded as a prize both because of its representational functions which take the occupant all over the world and also because of the powers of the office.

These include chairmanship of the management bureau which organises the Parliament's business and the chief negotiating role on points of issue and conflict with the Council of Ministers.

As a result, a not inconsiderable amount of backstairs dealing is already taking place between the political groups to try to win support for their candidates. It has been reported that the Liberals have promised to support Herr Klepsch, although some European Democrats believe that they have a similar commitment from the Liberals for Sir James Scott Hopkins.

All calculations on the Centre-Right may be thrown out by some maverick candidate. Mr Tindemans may be tempted to throw his hat in the ring because his supporters regard him as a stronger candidate than Herr Klepsch.

Carrington squares up to the Rubik cube of EEC internal division

BY JOHN WYLES IN BRUSSELS

WHIPPED ON by British zeal, EEC governments are about to renew their commitment to a task which is the political equivalent of solving Rubik's cube—agreement by the end of the year on the main lines of community agricultural and budgetary reform and on the development of existing and new common policies.

EEC foreign ministers will be asked to reaffirm this target at an important meeting here on Monday. The discussion should offer the first revelation by member governments of their attitudes to the European Commission's reform plans published at the end of June.

Almost certainly, the tone will be generally defensive with governments anxious to fend off proposals which threaten their interests. It is equally certain that their attitudes will make it unlikely that any major agreements will be reached by Christmas.

But Lord Carrington, the British Foreign Secretary knows that as President of the EEC Council of Ministers, he must be seen to be trying to drive the Ten towards their goal. He and his colleagues agreed on May 30 last year to try to settle the Community's key internal problems by 1982.

Agriculture's dominance of EEC spending, Britain's disproportionately large payments to the Brussels budget and the apparently imminent exhaustion of the Community's budget resources are all related problems, which at that time seemed likely to get out of hand unless seriously tackled.

It is now uncertain that the Community is sufficiently gripped by a political and financial crisis to bring about the fundamental reforms postulated by the Commission in June.

It may be the case that the Ten's national economic problems have become so much worse, that the political will to take risks with new Community developments has been sapped. If the dominant mood of the next few weeks proves to be *sauve qui peut*, then there will be no major agreements. Instead, we may see increasingly sour negotiations drag on well into next year awaiting some external crunch to force a resolution.

The possibility of the EEC budget being bankrupted by rising agricultural costs had been expected to provide that crunch. But the shadow of bankruptcy obstinately refuses to loom. This is largely because the Commission has tightened its financial management of the Common Agricultural Policy (CAP) while a fortuitous increase in world commodity prices over the last 12 months has saved several hundred million pounds earmarked for subsidising exports of surpluses.

The Commission has produced some sensible and quite radical proposals for curbing the CAP's tendency to produce great surpluses and for ending its attempt to satisfy through price increases the different income requirements of both the efficient northern farmer and the hand to mouth southern peasant. But it remains to be seen whether the Benelux countries Denmark and France, who all do extremely well from the existing CAP, will readily negotiate major changes when there are still satisfactory sums of money in the Community kitty.

The optimistic answer is that they will, partly because of strong British and West German pressure, and partly because France's new Socialist Government is more amenable to change.

If the defenders of the existing CAP take to the trenches—with or without France — to delay agreement until they can see a real budgetary doomsday, then Britain and West Germany might push for satisfaction of their budgetary complaints and leave the agricultural fight for another day.

The temptation for Mrs Margaret Thatcher and Chancellor Helmut Schmidt will be strong because they have very urgent budgetary needs. Britain has only one year left to run on the current three-year deal limiting its net payments to Brussels.

The Commission has proposed a more lasting mechanism, leaving the duration and level of adjusted British payments to be settled by negotiation. It has deliberately offered nothing to West Germany, the largest contributor to Brussels, arguing that there is more to EEC membership than a net budget position and that West Germany — the Community's biggest economy — draws rich benefits from the EEC.

But with West German transfers rising from DM 5bn ($1.1bn) last year to DM 6.5bn this year and Bonn struggling to cut its public spending, Chancellor Schmidt insists and Mrs Thatcher agrees that he must have a ceiling on his budget payments. This will be difficult for the others to accept.

As Council President, the UK's recipe for solving the Community's problems is an attempt to make parallel progress on the issues of agriculture reform, budgetary mechanisms and development of other policies. The negotiating burden will be carried by a special group chiefly comprising the Ten's permanent ambassadors to the EEC, although France may send M Andre Chandernagor, its Minister for European Affairs, from time to time.

The target is to have the main lines of agreement ready for decision at the summit of heads of governments in London on November 26 and 27. It is said that trying to solve Rubik's cube can drive you insane. The political version is certainly going to give the Community a headache.

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Japan may sell defence know-how to U.S.

By Charles Smith, Far East Editor, in Tokyo

TALKS on a two-way exchange of U.S. and Japanese defence technology will be held for the first time next week when a senior official from the Japanese Defence Agency goes to Washington.

The talks are ostensibly part of a series of annual consultations between the two defence departments' equipment divisions. Previous sessions, however, have dealt only with U.S. technology transfers to Japan. At next week's meetings the U.S. officials will raise the question of how and when Japan would be prepared to make some of its advanced integrated circuit and robotics technology available to the U.S. military.

The Japanese Government seems keen to respond positively to the U.S. approach for an exchange of technology, partly because it is seen as a way of defusing pressure for higher domestic defence spending. However, it has to convince opposition parties that such an exchange would not violate the spirit of policies restricting arms exports.

Japan maintains a de facto ban on arms sales even to "friendly" countries, although in theory the ban applies only to nations that are at war, have been declared "ineligible" by the United Nations or have Communist regimes.

The Government will probably try to ensure that any technology transferred to the U.S. is civil technology with a "possible" defence application rather than technology developed for defence purposes. This appears to be the type of Japanese know-how the U.S. is most interested in acquiring.

Japan's arms manufacturing industry lags behind Western levels of sophistication, except in a few specialised areas, but developments in microelectronic technology outside the arms industry have progressed so rapidly in the past year or two that Japanese companies apparently have something to teach their U.S. competitors.

Japanese officials say most of the technology the U.S. appears interested in is controlled by private companies, so technology transfer agreements will be signed at a private level rather than between government agencies.

Nairobi likely to win Euromarket sympathy

BY MICHAEL HOLMAN, RECENTLY IN NAIROBI

THIS WEEK'S news that Kenya is to make a rare foray into the Euromarkets in search of $100m (£55m) will probably provide a small but welcome opportunity for Western institutions and investors to emphasise their sympathies towards Nairobi, whose economy is now coming under increasing strain.

Certainly Kenya's first medium-term venture in the Euromarket since $200m was raised two years ago will encounter no problems. There can be few countries in Africa which command such support from the West. But there is nevertheless a growing feeling that the country's ability to analyse its economic problems is not matched by a capacity to implement solutions.

The reasons for the support are not hard to find. The broad capitalist policies established by Mr Jomo Kenyatta, the former President, and continued by Mr Daniel Arap Moi, the present President, appeal to the West and foreign investors. On the political front, Kenya is close to the Western camp, with its boycott of the Moscow Olympics and its provision of military facilities for the U.S.

Donors regard Kenya's development plan for 1979-83 as sound. It was prepared under the direction of senior civil servants led by a man respected at home and abroad — Mr Mwai Kibaki, the Minister of Finance and vice-president.

For Western representatives working in Nairobi — one of the most congenial African capitals for foreigners — dealing with Kenya's problems is usually a pleasant contrast to their experiences in other African states.

Now donors doubts about Kenya's ability to solve its problems are hardening at a time when its need for assistance has never been greater. Mr Kibaki and other senior officials put the Government's case at the three-day World Bank consultative group meeting in Paris in July, attended by representatives from 19 countries and institutions.

The picture before the group was disquieting. Kenya's current account deficits averaged more than $600m (£330m) a year during 1978-80. Last year the current account gap reached a record $766m (£421m) —nearly three-quarters of 1980 export earnings.

The Paris meeting was told that Kenya's external capital needs in 1981-5 would be about $5.2bn. An increase of direct foreign investment of some 10 per cent a year, an increase in bilateral and multilateral aid of about 9 per cent in nominal terms would be required to reach this level.

Even with increased concessionary aid, it is estimated that Kenya will have to rely on commercial borrowing for about a third of its external capital inflows until 1985.

Several external factors have contributed to Kenya's present problems, including the rising price of oil. But the Paris meeting had before it a report criticising the Government's economic strategy in general and its agricultural policies in particular.

Kenya is predominantly an agricultural country and if things go wrong in the countryside, it means serious trouble. Farmers are expected to feed a population of 16m, increasing at nearly 4 per cent a year.

Cash crops provide the bulk of exports, coffee and tea alone accounting for 44 per cent of foreign exchange earnings in 1979.

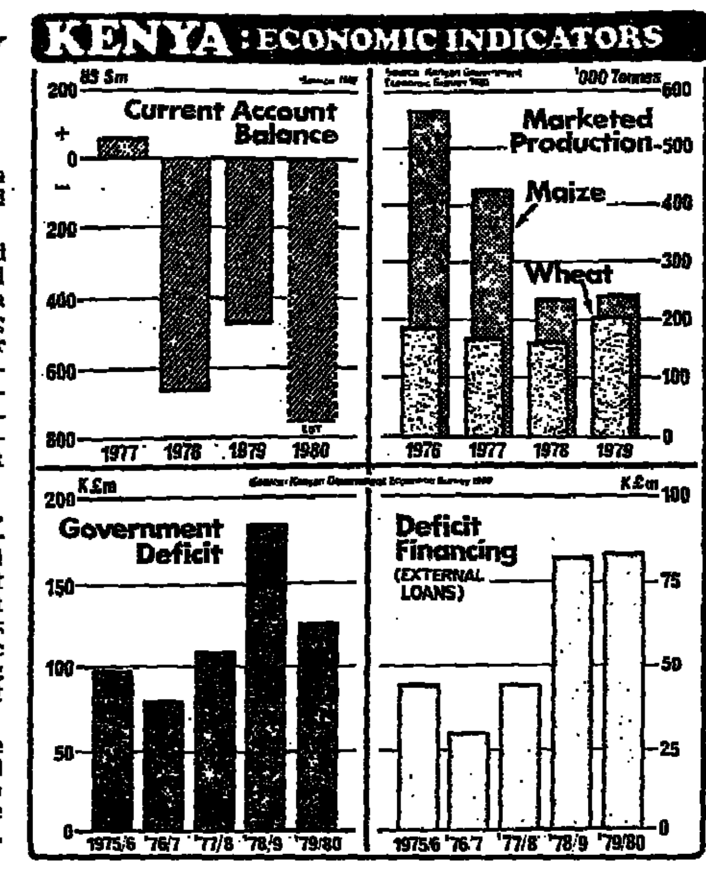
Yet agricultural statistics for the past five years are, with a few exceptions, worrying. The annual growth rate fell from an average of 4.7 per cent in 1964-74 to 2.4 per cent in 1974-79. The growth rate for most food products since 1972 has been negative or under 1 per cent a year.

The result was a massive food import bill last year, with shortages and food queues in a country which used to be proud of its capacity to feed itself.

Droughts in late 1979 and 1980 were a factor in the fall in food production. But a report before the Paris meeting declared bluntly: "The poor performance of food commodities reflects inappropriate policies and the limited institutional capacity of the Government to effect its development plans."

In spite of the criticism, participants at the Paris meeting say that the talks went well —partly because Mr Kibaki put up a persuasive case about measures the Government is taking to solve its economic problems, including a long awaited food policy paper last May.

Bilateral talks will take place over the months ahead, and most donors are sympathetic to Kenya's appeal for programme and commodity assistance, rather than project aid.



Lesotho capital hit by fifth bomb in a week

BY J. D. F. JONES IN JOHANNESBURG

A BOMB destroyed the car of the West German ambassador to Lesotho on Wednesday night. It was the fifth explosion in a week at Maseru, the small town that is the capital of the independent mountain State surrounded by South Africa.

The attack on the car (the ambassador is on home leave) confirms that the Lesotho Liberation Army which has been trying for years to dislodge Chief Leabua Jonathan's Government, has extended its campaign to include civilian and international targets.

The latest spate of bombings were at the Hilton Hotel, the U.S. cultural centre, the airport and a public bar.

The Lesotho Liberation Army is the military wing of the banned Basutoland Congress Party (BCP). In 1970 Chief Jonathan in effect seized power when he discovered he was about to lose an election to the BCP led by Mr Ntsu Mokhehle.

The latest bombings have been accompanied by the abduction and disappearance of supporters of the BCP. The editor of an ecumenical newspaper disappeared and his mutilated body was discovered yesterday. The chairman of the Christian Council of Lesotho was kidnapped last week and during the assault his young child was killed.

It is thought the Liberation Army is determined to force Chief Jonathan to call the first elections for 11 years which the BCP believes it will win if the polls are free. Government Ministers have been hinting recently that elections will be called.

The mystery is the role of the South African Government, which helped Chief Jonathan in 1970 and has found him a fairly docile neighbour. It is regularly alleged in Maseru, however, that the Lesotho Liberation Army is backed by the South African Government and even that it operates from bases in Orange Free State. This is dismissed by Pretoria.

Observers agree that Pretoria would not want to see independent Lesotho become a secure base for African National Congress guerrillas to operate against the Republic. Hence there might be some conceivable, if remote, reason for Pretoria to wish to "destabilise" Lesotho.

Egyptians vote on clampdown by Sadat

BY ANTHONY McDERMOTT IN CAIRO

EGYPTIANS YESTERDAY voted in a referendum called to approve measures taken by President Sadat in the past week to clamp down on sectarian strife between Moslems and Coptic Christians. Among the 1,536 people arrested were political opponents. The result is expected today.

About 12m people are eligible to vote in the 25,500 booths throughout the country. At President Sadat's home village, where he voted yesterday morning, polling was heavy and accompanied by two demonstrations, one of Copts and Moslems together, another, of workers from the local province.

In some areas of Cairo, cars with loudspeakers were circulating to encourage people to vote against sectarian strife.

The ballot paper is headed Arab Republic of Egypt above a drawing of a Moslem sheikh and a Coptic priest beside the silhouette of a mosque and a church. Below, the voter is asked: "Do you agree to the measures and principles of national unity and social peace?"

Two circles are to be ticked —one in black for No and the other in red for Yes. The choice is hardly testing. On Wednesday at a Press conference Mr Sadat, while saying he did not want to pre-empt the result, said he was sure 99.9 per cent of the people were behind him.

Iran's media silent on clashes

By Terry Povey in Tehran

IRAN'S state-run media has maintained silence on Wednesday's clashes in central Tehran between revolutionary guards and armed supporters of the Mojahedin-e-Khalaq organisation.

Incomplete reports from the capital's hospitals suggest 40 people were killed or injured in the late afternoon gun battle. Many arrests were reported after the incidents in which armed guerrillas took to the streets for short periods.

The policy of the state news agency and its radio and television service appears to be to ignore such incidents. Even reports of executions are rarely broadcast, although these and many other incidents are usually detailed in newspapers.

Executions of the regime's opponents have continued since June 20. More than two-thirds of the 958 executions reported were of members of the Mojahedin-e-Khalq which is leading the campaign to overthrow Ayatollah Khomeini's fundamentalist regime.

Rescue plans for Israeli diamond sector considered

BY DAVID LENNON IN TEL AVIV

ISRAEL'S diamond manufacturers will have crucial discussions with government officials this weekend about ways of staving off the crisis threatening to close the industry.

Among the rescue ideas being considered by the Government is a multi-million dollar credit fund together with the banks and manufacturers. This would provide guarantees for the diamond polishing plants which cannot raise enough credit to prepare diamonds for sale.

Mr Arnon Gafny, governor of the Bank of Israel, who met the diamond manufacturers yesterday, will suggest that the recent cut in subsidised credit to industry should not be applied to the diamond industry for the next six months.

It is not certain these steps will be considered sufficient. The Diamond Manufacturers Association this week gave the Government a list of measures it considered essential if the industry is to survive.

Commonwealth likely to back Pakistan's rejoining

COMMONWEALTH leaders are expected to prepare the way for Pakistan to rejoin the Commonwealth when they meet in Melbourne in three weeks, Mr Sonny Ramphal, the Commonwealth Secretary General, indicated in London yesterday, writes David Tonge.

Mr Ramphal thought leaders would be "broadly keen" for Pakistan's re-entry.

Pakistan withdrew from the Commonwealth in 1971 in protest at several members' recognition of East Pakistan as Bangladesh.

Countries such as Britain back attempts to increase Pakistan's links with the pro-Western world. Some, such as India, say President Zia ul-Haq's non-elected regime is trying to reverse a move made by Mr Zulfikar Bhutto's elected Government and argue that it would be better to delay a decision.

COMPANY NOTICES

AMERICAN NEWS

Nicaragua declares state of emergency

By Hugh O'Shaughnessy

THE LEFT-WING Government in Nicaragua, hard pressed by economic problems, has decreed a state of emergency under which strikes will be outlawed, import tariffs raised and government expenses cut. "Economic sabotage" will be punishable by up to three years in jail.

Announcing this on television in Managua on Wednesday Commandant Daniel Ortega, co-ordinator of the three-man junta which rules the Central American republic, said that the Government would crack down on strikers, those who raised prices or published false economic news or seized land or other productive assets.

The moves are likely to be badly received both by the still powerful Right in Nicaragua and the ultra-Left, which has been chiding the Sandinista Administration for its cautiousness.

Daniel Ortega: crack down on strikes

The state of emergency came into force on Wednesday and will continue for a year.

Commandant Ortega said that the Government budget of $87.2m (£48m) would be cut by 5 per cent and there would be cuts in subsidies on foodstuffs and transport. Luxury goods would have to face import levies of up to 100 per cent. The aim, he said, was to save $43.8m (£24m) in public expenditure over the next year.

Measures are to be taken to improve tax collections, cut misuse of public funds and tighten exchange controls. Hitherto the córdoba, whose official parity is 10 to the dollar, has been traded openly on the black market at more than 25 to the dollar without the authorities intervening.

Nicaragua's economy has been on a switchback in recent years. In 1979, when the regime of Gen Anastasio Somoza was overthrown by the Sandinista guerrillas, the Gross National Product fell by 24.8 per cent. It recovered somewhat last year with the injection of much foreign capital and grew by 14 per cent.

The Government, however, was less than satisfied by the rate of investment by local businesses. The trade balance, according to preliminary figures, went from a surplus of $160m in 1979 to a deficit of $215m last year. The balance of payments dipped $140m into the red.

The Reagan Administration recently halted a $75m aid plan in response to what it claimed were Nicaraguan efforts to assist the insurgents in neighbouring El Salvador.

Under the rule of the Sandinista Administration, there has been a constant flight of capital from the country. It has become particularly heavy this year.

Attempts to limit luxury imports and save currency for essential imports have been hampered by the Government's unwillingness to improve relations with Nicaragua's neighbours and fellow members of the Central American Common Market, whose goods have the right to preferential treatment in Nicaragua.

The Nicaraguan Government will be hoping for assistance from the multilateral aid package which the U.S., Canada, Mexico and Venezuela are planning for the Caribbean and Central America.

One ray of optimism for the Government may come from the agricultural sector, where the production of cotton, a major export, is forecast to be good. Sugar production in 1980-81 is estimated at 4.6m quintals, or nearly 500,000 tonnes, a rise of 23 per cent over the previous year's output.

Panama 'will complain over canal treaties'

PANAMA CITY—President Aristides Royo of Panama said yesterday he plans to complain to the United Nations General Assembly about alleged U.S. violations of the Panama Canal treaties.

President Royo claimed the U.S. had violated the treaties, signed four years ago, with legislation and amendments passed by the U.S. Congress when it ratified the accords.

AP

Agency faults MX missile options

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

A U.S. congressional agency has found fault with all 11 options it studied for basing the American new MX mobile intercontinental missile. It appeared, however, to lean towards the idea of putting the missile on a new generation of diesel-powered submarines.

The 16-month study by the Office of Technology Assessment concluded that there is no MX basing mode without serious risks or drawbacks and that no system can provide survivable basing before the end of the decade, according to Mr Peter Sharfman, the project director.

The report makes no recommendations and does not deal with some of the new ideas for basing the missile currently under review in the White House.

But it makes clear that the Administration is likely to have a serious problem defending its choice, whatever it finally decides.

Even President Jimmy Carter's extravagant plan for shuttling 200 missiles round 4,600 shelters in Utah and Nevada would be inadequate to prevent the MX from being wiped out in a first Soviet strike, the agency says.

If the Russians continue to expand their missile forces, the MX would need 8,250 shelters by 1990 and 12,500 by 1995, at a "conservative" estimate it adds.

A scaled-down plan under consideration by the Reagan Administration, involving 100 missiles and 1,000 shelters could be easily overwhelmed by existing Soviet missile forces, and even protection by an anti-ballistic missile system would be unlikely to be effective.

Putting four missiles each on a fleet of 51 submarines would pose "no critical technical problems" the agency says. It would delay getting the first MX into service to perhaps 1989 or 1990, against 1987 with land basing. But missiles which went into submarines would immediately become invulnerable.

Mr Sharfman estimated that the submarines could all be in service by 1994 or earlier. But they would run into the political objection that too much emphasis was being put on sea-basing, at the expense of the traditional land, air and sea "triad."

The agency could see no technology that promised a breakthrough for the Russians, enabling them to destroy submarines at sea, Mr Sharfman said.

The report said that submarine-based missiles would be accurate enough in the future to strike any military target.

In the past, submarine-launched ballistic missiles have usually been less accurate than those based on land. Using diesel rather than nuclear power for the submarines would help to reduce the cost, the agency said.

Alaska 'could have oil boom by 1990'

BY PAUL BETTS IN NEW YORK

ALASKA could become an international producer of petrochemical derivatives and supplier or liquefied gas by the end of the decade, according to a feasibility study by Shell Oil and Dow Chemical.

The report, which took a year to complete at a cost of $5.5m (£3m) says 'a worldscale petrochemical industry in Alaska could be economicaly lfeasible in the late 1980s or early 1990s." It puts capital costs at between $8.6bn and $10bn at 1981 values.

The development would hinge on several conditions, the study claims. These include:

- World crude oil prices must rise above $38 a barrel (compared with the current $32 a beral Saudi Arabian benchmark price) to meet the costs of extracting natural gas liquids, transporting them to tidewater locations and shipping them to the lower 48 states of the U.S.
- Such a project must be in the interest of the main owners of Alaskan natural gas liquids, namel Atlantic Richfield, Standard Oil of Ohio (BP's U.S. affiliate) and Exxon, as well as the state of Alaska.
- Ships must be available to transport the liquified gas to the U.S. market. Such ships are not available yet and would take at least five years to build and deliver.

The report also cites the need to develop more Pacific Basin markets for Alaskan gas, and infrastructure development in Alaska.

It claims the timing of any decision to proceed with the controversial Alaskan natural gas pipeline project would be crucial for the development of a petrochemical industry. The $22bn-$25bn pipeline project—has been held up by opposition from consumer groups in the U.S. and the Reagan Administration. There is concern that Alaskan gas would have to be priced at more than double the existing price of domestic gas because of transport costs.

The report says the pipeline project and the petrochemical proposals are closely related. At present the oil companies and the state of Alaska may not go ahead with the petrochemical venture until the pipeline question is resolved.

The report says construction costs for petrochemical plants in Alaska would be 1.7 to 2.1 times higher than those on the U.S. Gulf coast. "Those high costs must be offset primarily with favourably-priced ethane from an natural gas liquids project."

Teachers' strikes hit 30 areas of U.S.

By Our New York Correspondent

AMERICAN children are going back to school this week, but in 30 areas of the country they will not be able to start because of teachers' strikes.

The biggest strike is in Philadelphia, where more than 200 teachers were arrested earlier this week for picketing violations. The teachers say their school board has reneged on the terms of a year-old contract.

The board says a $223m deficit has forced it to enforce 3,500 redundancies and withhold a promised 10 per cent pay increase.

Although every dispute is different — they range geographically from New York State to Idaho—the common theme is of problems caused by tightening local authority budgets as the squeeze in Federal government grants starts to be felt.

In some places, notably Massachussetts, this situation has been aggravated by the passage of aggressive local tax-cutting legislation.

In Massachussetts, teachers have been told they will get no pay rise and 1,000 teachers from a total pool of 5,000 have lost their jobs, according to the National Education Association, the largest teachers' union.

The union says, however, that this autumn's rash of strikes is less severe than the 80 at the same time last year. The change is probably a result of this being both a slack year for contract renewals, and the fact that in spite of their claimed economic pressures, teachers are afraid of losing their jobs.

According to the association, the median pay of teachers is currently $17,000 a year and the average pay increase last year was 8 per cent, under the double-digit rate of price inflation in the country generally.

The big debating point within education in the next year, however, is certain to be the impact of the Administration's budget cuts on an education system which has in the last two years managed to arrest a dramatic and worrying deterioration in basic education standards.

The first round of Reagan budget cuts lopped more than $2bn from education programmes, and another $1bn is expected to be included in the next set of proposed cuts due to be published this week.

The programmes being cut, says the NEA, are primarily those special Federal initiatives taken in inner-city areas to improve the achievement rate by children from ethnic minority groups.

Crunch nears for lengthy cornflakes anti-trust case

BY DAVID LASCELLES IN NEW YORK

THE CORNFLAKES anti-trust case, one of the longest-running and most hotly-contested of the past decade, moved nearer to conclusion yesterday with victory in sight for Kelloggs and two other cereal makers. The Federal Trade Commission (FTC), which is pursuing the case, could have the last word, however.

Mr Alvin Berman, an administrative law judge, said the FTC's lawyers had failed to convince him that Kelloggs, General Mills and General Foods, the three largest U.S. makers of ready-to-eat cereals, had fixed prices and monopolised the market, keeping excessive profits as a result.

The case attracted interest because the FTC used it to try to extend the definition of anti-trust to include "shared monopoly." This holds that while the cereal makers did not conspire to monopolise the market, their overwhelming position in it enabled them tacitly to control prices and supply. Mr Berman did not accept this contention.

The FTC's lawyers may appeal against the ruling within 30 days and the FTC could still review it. It said yesterday this was likely.

The case has been going on for nine years and stirred up the anti-trust debate as few others have done. It became especially complex when it transpired that the FTC paid the retiring officer investigating the case a large sum of money to stay on. Congress voted to stop the FTC spending any more money on the case in the 1982 fiscal year, which begins next month.

The theoretical aspects of the case have become somewhat academic since the Reagan Administration came to power and made clear it wished to narrow the definition of anti-trust. The Justice Department, which polices anti-trust, has dropped a number of cases initiated under previous administrations.

U.S. 'considers sanctions over Canada energy plan'

WASHINGTON — The U.S. is considering a wide range of possible sanctions against Canada if Canada's proposed national energy policy limits U.S. investment, an Administration official said yesterday.

The Reagan Administration is concerned about the direction of Canadian policy, particularly energy policy, Mr Raymond J. Waldmann, Assistant Secretary of Commerce for International Economic Policy, said.

"There is a good potential that the programme will have discriminatory features towards Americans or American companies who do business in Canada," he added.

A number of possible reactions are being considered, including granting President Ronald Reagan authority to breach any trade agreement between the two nations.

The review had been started last month at the direction of the U.S. Cabinet after a number of proposals were introduced in Congress in reaction to the Canadian moves.

The Canadian Embassy in Washington had been informed about the possible sanctions, Mr Waldmann said. A spokesman for the embassy could not be reached last night, however.

A number of U.S. companies have large investments in Canada's energy-rich Western Provinces.

In his successful re-election campaign last year, Canada's Prime Minister, Mr Pierre Trudeau, proposed more Canadian control of his nation's economy, particularly in energy.

Mr Trudeau's new energy policy would reduce foreign ownership of the nation's oil and gas industry from 72 per cent to 50 per cent by 1990.

Mr Waldmann noted that two proposals introduced in Congress after Mr Trudeau's plan was announced would limit Canadian investment in the U.S. and impose more strict financial requirements than now exist on Canadian companies that try to acquire U.S. interests.

AP

Enders defends Salvador policy

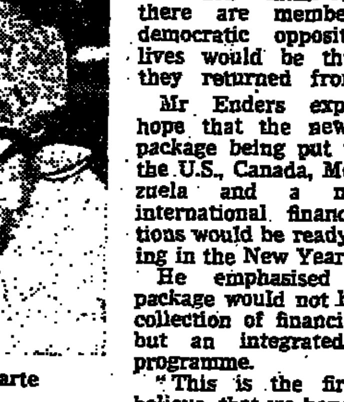
BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE U.S. Assistant Secretary of State for Inter-American Affairs, Mr Thomas Enders, has come out with a strong defence of his country's policies in El Salvador while underlining the importance Washington places on a new economic strategy for the Caribbean basin.

Speaking to the Council for Inter-American Relations in New York, Mr Enders, who has the reputation as a tough, conservative career diplomat, said El Salvador was in a state of insurrection.

The Government of President Napoleon Duarte needed U.S. economic and military support to defend itself against Left-wing groups which received "aid from foreign Marxist sources," he added.

Dwelling on the need for outside economic aid, Mr Enders went on: "There is not going to be new investmente in El Salvador under conditions of war. As long as the war lasts there will be a substantial need for outside assistance, and we will provide it."



President Duarte

Mr Enders made it clear that Washington was still set on the holding of elections in El Salvador which, he said, would help to unite a divided country.

He minimised the fears expressed by Social and Christian Democrats and others opposed to the Duarte government that they would be murdered by Right-wing extremists if they stood for office.

"I don't think it's true that there are members of the democratic opposition whose lives would be threatened if they returned from exile."

Mr Enders expressed the hope that the new assistance package being put together by the U.S., Canada, Mexico, Venezuela and a number of international financial institutions would be ready for unveiling in the New Year.

He emphasised that the package would not be merely a collection of financial facilities but an integrated economic programme.

"This is the first time, I believe, that we have attempted to combine trade and investment with assistance in a comprehensive approach

"The attention given to the promotion of trade distinguishes it from the Alliance for Progress launched by President Kennedy in the early 1960s," Mr Enders went on.

Barbados unveils package to boost sagging economy

BY TONY COZIER IN BRIDGETOWN

THE Barbados Government has unveiled a package of economic measures designed to shore up the island's flagging economy hit by the world recession and poor weather which has drastically cut sugar production—the island's main export.

Mr Tom Adams, the Prime Minister, introducing the "mini-budget," said the Barbados economy had been hit by strong recessionary pressures during the first six months of the year.

He warned the House of Assembly that Gross Domestic Product (GDP) might fall by 1 per cent in 1981. Earlier forecasts had suggested the economy might grow by 3 per cent this year. Last year GNP increased by about 4.5 per cent to B$1.46bn (£376m).

Among the measures he announced were a reduction in motor vehicle import quotas for 1982 from B$25m to B$10m, increased mortgage rates, and a tightening of consumer credit.

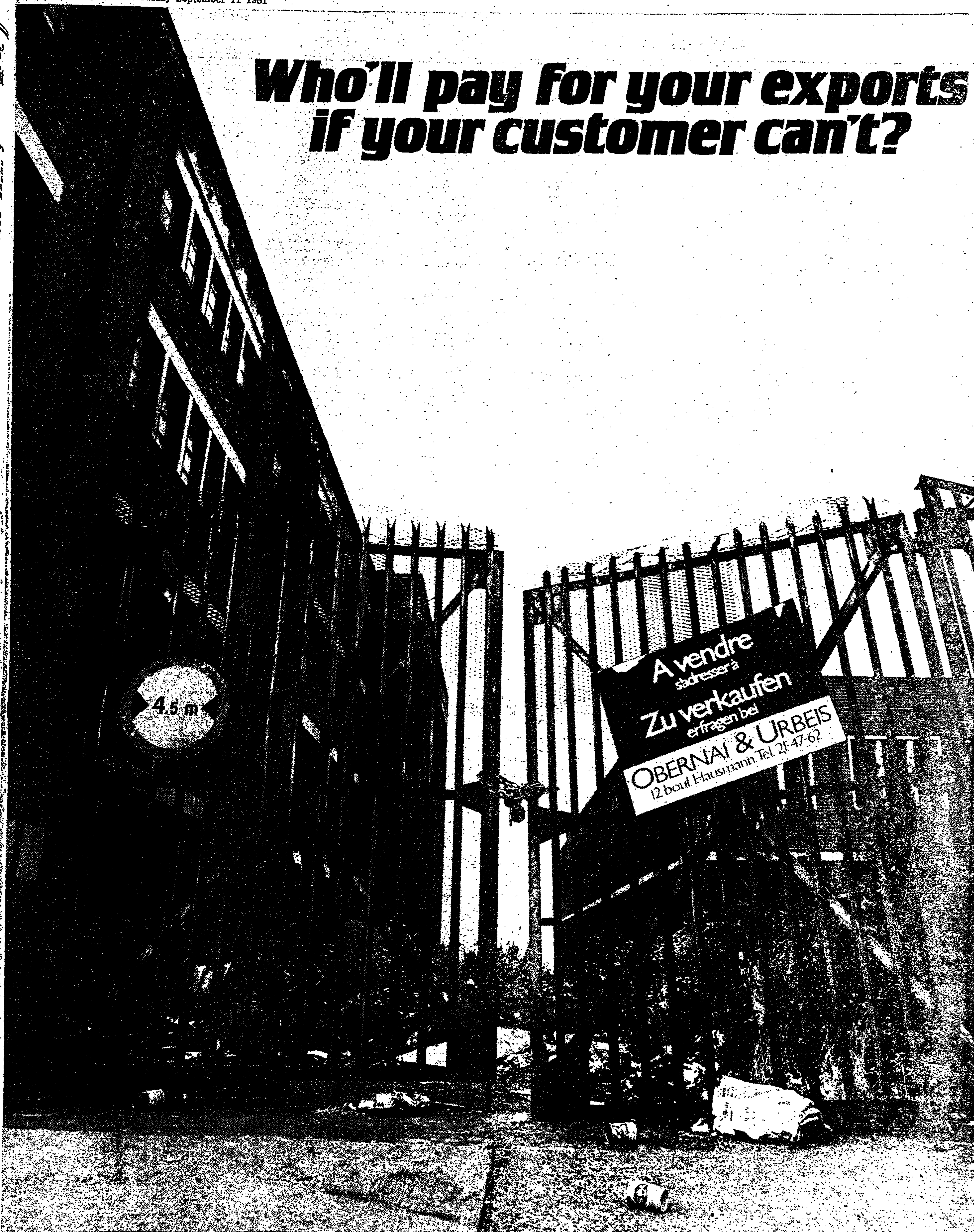
Mr Adams, introducing what he termed "corrective measures designed to half any further deterioration in the balance of payments or public finances and to create conditions for renewed economic buoyancy at the earliest possible opportunity," said all the island-nation's major economic sectors had experienced declines.

Sugar production would be 25 per cent less than the 135,000 tonnes produced in 1980 because of poor weather. This drop, together with falling world prices, would lead to a reduction of B$43m in earnings for sugar exports in 1981 compared with 1980.

Output and exports in the light manufacturing sector in the first half of 1981 were 5 per cent below the corresponding period in 1980 the year.

Mr Adams estimated there would be a balance of payments deficit of B$173m for 1981, compared with B$55m in 1980.

Who'll pay for your exports if your customer can't?



Britain is not the only country where the recession has taken its toll.

All over the world, companies are faced with a quagmire of slower cash flow, quiet markets and shortage of capital.

This global recession may not have made your own exports any less lucrative. But it has made the export trade more of a risky business, where no-one can take payment totally for granted.

Today, the Export Credits Guarantee Department is paying out more and more on bad debts, not only from politically shaky countries, but from traditionally stable ones as well.

In one recent case, a major Western European steel concern defaulted on payment to some 12 UK suppliers.

The overseas government concerned had finally come through with financial backing, as expected. But they then ruled that this money could not go to pay foreign creditors.

The case is now dragging slowly through the courts. But meanwhile, ECGD has already reimbursed 90% of the losses of those UK creditors who were insured.

ECGD offers the only credit insurance available which covers you for non-payment on exports of goods or services, world-wide—no matter whether it's the customer or the country that fails.

But this is by no means the Department's only service to exporters.

For example, ECGD can also open up sources of cheap export finance, by giving cover direct to a financing bank.

If you're exporting anywhere in the world, however safe it may seem, you should at least find out what ECGD has to offer.

Call Joan Swailes on 01-606 6699, or contact one of our regional offices in Glasgow, Manchester, Birmingham, Belfast, Leeds, Cambridge, Bristol, Croydon or City of London.

Because if the worst ever comes to the worst, why should you end up paying for your own exports?

ECGD

EXPORT WITH CONFIDENCE.

Japan boosts exports of knock-down cars

BY RICHARD C. HANSON IN TOKYO

JAPANESE MOTOR companies, hemmed in by curbs on exports to the U.S. and Europe, are sharply boosting shipments of partially-built knock-down cars and trucks.

In various forms, KDs assembled outside Japan are now equal in number to about 20 per cent of all Japanese exports.

From January to July, KD exports (with 60 per cent or more parts from Japan) jumped by 36 per cent to 505,841 units. So-called KD-sets, where the Japanese content is less than 60 per cent rose by 21 per cent to 310,032 units. During the same period total vehicle exports were up only 8 per cent.

These figures give one indication of how rapidly the Japanese motor industry has reacted to protectionist moves this year in advanced industrial countries to limit Japanese car sales.

One sign of this adjustment was the boom earlier this year in built up car exports to "third" markets in Latin America, the Middle East and Africa.

The surge in KD exports is partly traced to local content restrictions many of those markets place on vehicle imports.

But Japanese makers, stung by protectionism, clearly have also recognised the local assembly option as the best means for continued expansion overseas.

Toyota Motor, the largest car company in Japan, and Nissan Motor, already have a large number of such assembly operations. Toyota counts 23 assembly or parts making affiliates abroad or two less than Nissan. The biggest ventures are located in countries like Australia, South Africa, Mexico and Brazil.

Nissan is building a full-scale small truck plant in the U.S., and is considering investing in car plant in the UK.

Toyota has so far shied away from anything but knock-down assembly. In Europe, Toyota assembles vehicles in Portugal and Ireland.

However, Toyota is expected to consider more ambitious proposals to join with Seato in Spain for what initially could be a knock-down assembly venture.

A lack of a precise analysis of knock-down shipments makes it impossible to calculate the total value of such trade. Statistics on KD sets only, however, show a 59 per cent jump for January to July to $410.5m for the industry as a whole.

Total January-July exports, including KDs with more Japanese content, were up 25.2 per cent to $7.3bn.

Russia plans world-wide launch for new vehicles in 1983

BY JOHN GRIFFITHS

NEW CARS to be launched in 1983 by three Russian manufacturers will be designed to meet U.S. and EEC legislation and will be launched world-wide according to Automotive Products (AP), the UK components manufacturer.

AP revealed yesterday that it had secured a clutch licensing agreement, worth over £4m, with the Russian producers.

They are: Vaz, which makes Lada cars at the huge Togliatti plant; Zaz, at Melotopoli in the Ukraine, and Azlk, the Moscow-based producer of Mozkvich cars.

Their combined output is just under 1m cars a year. About 100,000 Lada saloons and the Niva four-wheel-drive car have been exported to the West each year, but the new generation of cars could see this raised considerably.

Current Lada models are based on the old Fiat 124 front engine rear drive design. But the cars to be launched in two years' time are front-drive models which have been developed by Porsche and could prove considerably more attractive to Western buyers.

Vaz is to build three Lada hatchbacks with engine sizes ranging from 1.1 to 1.5 litres; Zaz a 1-litre car and Azlk models of 1.6-1.8 litres.

Lada has well established export links with Europe, in particular through Satra Corporation of the U.S. which handles the West German and UK markets. Lada has just under 1 per cent of the British new car market, while in West Germany the Niva has almost a half of the four-wheel-drive market.

This year, Satra has built an import and preparation centre at Savannah, Georgia, with the intention of launching Russian cars in the U.S. It plans sales of 50,000 a year by 1986. Ladas are also imported to Canada by a wholly-owned Canadian concern, Lada Cars of Canada.

Imports to the West of Moskvich cars, also of dated design, virtually disappeared in the mid-1970s. But they have always been available to importing agencies and the all-new cars scheduled for 1983 could lead to the marque emerging in the West.

The AP deal provides for the Russian makers to produce under licence AP's Borg and Beck "DST" clutches of between 180mm and 200mm diameter. The contract lasts for eight years. The DST clutch is a lightweight design with many fewer parts than a conventional clutch and claimed to weigh 30 per cent less.

Two other component suppliers are still negotiating licensing agreements and possible components supplies. They are GKN, which may provide front-wheel-drive component technology and Lucas Girling, which is discussing brake systems.

Tokyo sets out its stall at West Berlin audio-video fair

BY LESLIE COLITT IN BERLIN

CAN EUROPE'S dwindling ranks of audio and video equipment manufacturers survive a Japanese onslaught which has already pressed many of them to the wall?

The European and U.S. companies at the continent's largest audio and video trade fair in West Berlin this week found themselves trying to survive while the Japanese were methodically building up their market shares.

"Specialisation, rapid product development, marketing and co-operation are the areas in which European companies must concentrate to survive. If you produce interchangeable products you won't make it."

The man with that advice, Herr Paul Weber, is in an excellent position to know. He works for Sony Deutschland, whose stand has been thronged at the fair.

But unlike some European manufacturers who would rather have orders than crowds, Herr Weber belives that when potential consumers are mobbing his stand, then dealers quickly follow suit.

The Berlin Home Electronics Fair, staged every two years, attracts what seems to be half the population (2m) of West Berlin and enjoys the kind of saturation media coverage which few other exhibitions get in West Germany. Both the West German TV networks originate dozens of programmes at the adjacent fairground, and even the smallest local newspaper has its man on the scene.

As the European leaders, West German electronics manufacturers have seen their domestic market fall victim to the mighty Japanese companies.

One German in the trade said this development was hardly surprising. German engineers, he noted, were good, but their companies have been too slow at innovation and were poor in marketing.

"Who wants the bildplatte or minidisc?" he asked — two German products competing in vain against Japanese video recorders and miniature audio discs.

On the other hand, he said, when the Europeans start specialising such as the Germans, Danes and British do in various segments of, for example, the loudspeaker markets, they do well.

Mr Anders Pederson, export manager of Dantax, a small Danish loudspeaker concern, confirmed that even carving out a minuscule niche on the European or American market was often enough for a Danish company to thrive on.

Brazilian orders for GEC come through

By Paul Cheeseright, World Trade Editor

FIRST HARDWARE orders for a £150m railway electrification and signalling contract won by GEC in Brazil five years ago have now started to come through.

After lengthy delays GEC is confident that the works programme will move forward to be completed over the next four to five years. But escalation in the costs is likely to mean a new approach by Brazil for additional buyer credits.

GEC is involved in a programme run by Rede Ferrovaria Federal of Brazil. The programme covers 1000 km of track within the Rio de Janeiro-Sao Paulo-Belo Horizonte triangle and includes what has become known as the Steel Railway.

The Steel Railway is track to take iron ore from a mountain at Belo Horizonte both to local steelworks and to the coast for export. The track winds through rugged terrain over viaducts and through tunnels.

The GEC effort is led by GEC Transportation Projects with GEC General Signal as the sub-contractor for the design and supply of signalling and centralised power control systems on the Steel Railway.

The presence of the GEC companies in Brazil strengthens their position to win further contracts as plans for mineral development are carried through. A vital concomitant of the development plans is the improvement of the railways.

But much depends on how the Brazilian authorities order their priorities. Both rising costs and switches in economic policy have contributed to the delay

Proposed UN code on cargo liners comes under attack

FINANCIAL TIMES REPORTER

LEADING executives in the world shipping industry have called for an end to political confrontations in such bodies as Unctad (the United Nations Conference on Trade and Development) and offered co-operation in helping developing nations build and run their own fleets.

At the end of an international shipping conference in Venezuela, speakers voiced disapproval of activities of Unctad and its concentration on issues such as cargo sharing and phasing out flags of convenience.

Mr Richard Orr, administrative manager of Exxon's international tanker division said: "This misdirected debate in Unctad serves nobody's interests. In fact, it impedes the legitimate entry of developing nations in the bulk markets."

Mr Jakobus Groenendijk, deputy chairman of Royal Nedlloyd, the Dutch shipping group, accused the Unctad secretariat of living in an ivory tower, especially in its attempt to produce a scheme governing the bulk cargo trades as a follow-up to the liner conference code.

Earlier in the conference, organised by the International Chamber of Commerce (ICC), the head of a leading U.S. container shipping group argued against the proposed UN code on cargo liners.

Mr Charles Hiltzheimer, chairman of Sea-Land Industries, said the U.S. Government must move fast to have any chance of preventing the code going ahead by producing other solutions more acceptable to American shippers.

He told the conference, that the code proposed the most extensive changes since liner conferences came into being over 100 years ago.

The closed conference system embodied in the code was contrary to the open entry conferences prevailing in U.S. trade under Government rules, he said.

"This regime is substantially different from the concept of freedom of the seas under which ships of every flag compete for cargo," he said. The Reagan Administration could oppose the code and try to come to bilateral agrements with trading partners, he added.

The code lays down that 40 per cent of world cargo should be shipped by the importing countries, the same share by those on the exporting side, and the rest by other operators.

He recommended, however, that the U.S. Government should consider working within the international negotiating system towards a constructive solution, one that minimised government interference and was flexible.

Also coming out against the code was Mr Groenendijk, who called the UN code a serious derogation from free market principles.

But he added: "It is going to come into force as a result of political decisions taken by the European governments which have been largely supported — on purely pragmatic grounds — by their shipowners."

Mr Groenendijk said however, that both governments and shipowners had agreed to mitigate the code's anti-free market principles through reservations made by the EEC.

National Trust £500,000 appeal

THE NATIONAL TRUST, which recruited its millionth member earlier this year, is appealing for at least £500,000 to help it carry out projects over the next year.

The trust said that because inflation has undermined the value of endowments, extra money is needed

Italy wins £15.7m contract from the Philippines

MILAN — Datamont, the telecommunications unit of the Montedison chemical group, has received a $30m (£15.7m) turnkey contract to supply a data transmission network to the Philippines.

The 18-month contract was granted through the Clavecilla group of companies, acting as a private agent for the Philippines Government.

"The contract will serve as our calling card in an area where telecommunications development is particularly important," said Anaclett Parziale, Datamont's operating director.

"It is in that area that we will concentrate our attention in the future, despite the presence of Japanese industry." He stressed that Datamont successfully competed against U.S. and Japanese companies in bidding for the contract.

Datamont said it will supply its own specialised technology to fill the order. It added that 90 per cent oft he materials and equipment required for the network will be supplied from Italy.

AP-DJ

India-Libya barter deal hits snags

By R. C. Murthy in Bombay

NEGOTIATIONS between Kamani Engineering and Libya have come to a standstill following Libya's stipulation last month that advance payment for a proposed power transmission contract should be in oil instead of cash.

Kamani is waiting for Indian Government approval before resuming discussions with the Libyan Government. But the Indian Government seems disposed to consider a package deal with Libya.

The Indian Government has a monopoly on oil production and marketing. It sent an official of the Indian Oil Corporation for talks in Tripoli on the Libyan demands. He has returned with the Libyan suggestion that the price of the oil in any barter deal is negotiable.

With the aim of reaching a package deal with the Libyan Government a task force is to be set up in New Delhi to negotiate with Libya

Ten Indian companies are bidding for contracts in Libya with a combined value of *Rs 10bn (£625m).*

Indonesian order for Fokker

By Michael Van Os in Amsterdam

FOKKER, the Dutch aerospace company, has received an order to supply six F-27 Friendship turboprop airliners to Garuda Airlines of Indonesia. The order brings the total number of F-27 aircraft sold by Fokker to 732, of which Indonesia has taken 26 so far.

The aircraft, which will join the fleet of Marpati Nusantara Airlines, Garuda's domestic carrier, will be delivered between next Janaury and May.

Chase Manhattan Asia Bank in Hong Kong has signed an agreement with Garuda on the issue of short-term bonds totalling $31.5m to finance the sales.

● Philips, the Dutch electrical group, is in the race for a major telecommunications order in Sudan. A Dutch delegation including Philips representatives, the Dutch State Secretary and Mr Philip Leenman, director general of the Dutch Post Office Corporation, (PTT) is in Sudan to discuss the possible order which should total some *Fl 300m (£60m)*

Heseltine calls for new approach to inner city planning

BY ROBIN PAULEY

A MORE RADICAL and flexible approach to inner city planning is needed, Mr Michael Heseltine, Environment Secretary, said yesterday.

Britain had planned and built unviable communities at incalculable cost, the Minister said.

He told the Town and Country Planning summer school at Nottingham University that those with energy and resources had chosen to leave the inner cities, leaving unbalanced and disadvantaged communities.

There were concentrations of ethnic minorities, workers who no longer had relevant skills—or who had no skills at all—and in large areas a "desperate sense of hopelessness."

Although economic regeneration projects had an impact, they were very much at the margin compared with the importance of private sector investment for long-lasting improvement.

Inner cities represented the greatest challenge for planners. Too often spontaneous regeneration of decayed areas had been prevented or frustrated. In many cases investment had been subsidised away from the city centres through new towns and industrial policy. Slums had been replaced by vast council estates with too many tower blocks and with the inevitable derelict sites.

Flats built in the last decade were already slums and rent control had wrought a devastating price in "the supposed name of humanitarian policies."

Mr Heseltine urged planners to avoid rigid policies and not to put too many negative factors on the scales when dealing with planning applications, especially where land for commercial and industrial use was involved. Many of the old ideas about zoning for industry were irrelevant in the context of new technologies like electronics and communications.

The 31 land registers now in existence had identified more than 2,000 sites of "publicly owned land lying idle" totalling nearly 20,000 acres.

"It is a national scandal that all elements of the public sector have allowed so much land—often at the heart of our great cities—to have lain unused for so long. It should not have needed major legislation to resolve this problem. It should have been a local imperative and challenge."

Mr Heseltine emphasised his concern for the rural environment.

The ability to say "No" had contributed in an invaluable and vastly satisfying way. The planning processes at both the local level and his level of dealing with appeals had stopped a range of decisions which would have turned the environmental heritage into an offensive and suburban jungle if they had not been stopped.

Teacher shortage feared

BY ELAINE WILLIAMS

THE NATIONAL Union of Teachers says there may be a shortage of teachers by the end of the decade because Government estimates on future demand may be low.

In a policy statement on teacher education published today the union says the Education Department lacks commitment to ensure an adequate flow of newly trained teachers.

The union says: "It is premature to propose radical changes in the size and composition of teaching forces before the impact of new developments has been thoroughly considered."

It believes staffing policies should not be related solely to numbers of pupils but to their curricular needs.

Schools were expected to respond to many new demands, including micro-technology, the rapid growth of unemployment among school leavers and the need for the curriculum to reflect the multi-cultural character of society.

It calls for changes in teacher education, including extending all Bachelor of Education degree courses to four years and the post-graduate certificate of education to two years where graduates have not included education in their first degrees.

Decline in cinema audiences continues

By Elaine Williams

CINEMA ATTENDANCES continued their slow but steady decline last year with admissions down to about 100m—the lowest in the industry's history.

Figures published today by British Business, the official Department of Industry publication, show audiences fell 9 per cent in 1980 compared with the previous year. In the heyday of the cinema, in the 1950s, audience figures frequently exceeded 1.5bn.

Box office takings increased last year 12 per cent to £143m. This was due to higher admission charges. In 1975 a visit to the cinema cost about 61p. In 1980, it cost more than £1.40 and is about £1.60 now.

Most cinema chains have closed some premises—particularly larger halls—or converted them into more financially successful multiple screen cinemas.

The Rank Organisation, one of the leading chain owners, announced in June the closure of 29 cinemas with the loss of 650 jobs. This reduced its number of sites to 94. At the peak of cinema popularity, it had nearly 600 cinemas.

Apart from Rank and Thorn-EMI—the other major chain with about 400 screens—there are about 500 small chain cinemas and a similar number independently-owned. In 1980 employment in the industry fell nearly 1,000 to 16,500.

The other major chain with about 400 screens, has also been quietly disposing of a few of its traditional cinemas on prime sites.

The industry believes its future lies in cinemas with up to 200 seats as it faces competition from subscription and satellite TV video recorders and other home entertainment systems.

Mr G. S. Bishop

Mr G. S. Bishop has asked us to point out that at no time has he been a director of T. G. Hawker, the Somerset-based meat trader, which was referred to on Page 8 of the Financial Times on September 9.

Warning on risks of water cuts in Wales

BY ROBIN REEVES, WELSH CORRESPONDENT

WATER rationing may be introduced in south-east Wales soon, unless consumers cut usage substantially, the Welsh Water Authority said.

Exceptionally low rainfall in the past three months had caused reservoirs to drop rapidly, the Authority said. A return to the 17 hour a day shut-off, introduced during the 1976 drought, could not be ruled out "unless massive savings are made immediately."

"South east Wales is again the area of highest risk, with the heads of the valleys the most vulnerable districts at immediate risk," the Authority said. Rain fell earlier this week, but the ground "simply soaked it up like a sponge."

Hosepipe bans are being introduced in the Taff and Usk divisions of the Authority. Full-scale drought orders will be introduced unless people respond to reducing consumption.

Suggestions for savings include showers instead of baths, reducing the use of washing machines and dishwashers and turning off the tap while brushing teeth.

As Welsh Nationalists frequently point out, Wales is a substantial net exporter of water to England, because of the geography of Wales the South-East of the Principality does not benefit. It was the first part of the UK to suffer water rationing in the drought five years ago.

After plans were drawn up for a pipeline scheme to transfer water from the Wye River system, which is linked to the massive Elan Valley reservoir complex in mid-Wales, over the mountains to the Usk which serves south east Wales.

The scheme was the subject of a long public inquiry. received approval only earli this year. Work will not be co plete until 1985.

The Authority said 10 me bers would be too small permit adequate representatio

In the meantime, the Wel Authority presented the Sever Trent Water Authority with bill for an extra £3m. in respe of water supplies from the El Valley reservoir.

Government boost for Scotland urged by CBI chief

BY MARK MEREDITH IN GLASGOW, SCOTTISH CORRESPOND ENT

MR JAMES GOOLD, the new chairman of the Confederation of British Industries, Scotland, said yesterday he hoped 10 per cent of the £1.5bn the national CBI had recently requested from the Government as a stimulus to the economy would come to Scotland.

"We are at, or near, the end of the recession. We have bottomed out. But does management yet have the confidence so that we can compete in world markets and get back into making profits?"

Greater productivity and profits were needed. Wage restraint was essential. A system of job sharing was the only hope of returning to low levels of unemployment.

Mr Goold, an accountant and director of the Mactaggart and Mickel Building Company, is a member of the Conservative Party and an elder of the Church of Scotland. He has taken over from Mr David Nickson.

The new chairman said he felt there was little need to consider Scottish industry outside its British context. "We are British industry. We at the CBI are dealing in world markets. I don't think there is any room for too much nationalism."

He wanted more British businesses to find Scotland an attractive place to establish their bases for European operations.

Mr Nickson said at t annual CBI Scotland dinner la night Scotland was bett placed to gain from the sl recovery ahead.

"We have to recognise th Scotland has come through t recent recession less ravag than many other areas of t UK."

British Airways outlines plan for quick, drastic cuts

Michael Donne outlines the 'tough and unpalatable' strategy to stem the airline's increasing losses

THE DRASTIC CUTS introduced by British Airways to stem its rising losses — now likely to be £250m in two years and described by Mr Roy Watts, chief executive, as "threatening the jobs of everybody in British Airways" — will cover every aspect of the airline.

Mr Watts admitted yesterday that the cuts were "tough, unpalatable and immediate." But unless they were made immediately "we have no prospects at all of a return to prosperity. And until we do, there can be no real job security for any of us."

The plan covers staff cuts, the closing of routes and stations (places where BA has staff and flight operations), and the sale of aircraft and properties.

The plans are:

Routes: Passenger routes to go by March 31 will be those from Heathrow to Luxembourg, Zagreb, Belgrade, Sofia, Bucharest and Salonica; Manchester to New York; Prestwick to New York and Toronto; Gatwick to Valencia; Birmingham to Brussels, Zurich and Milan; and Glasgow to Copenhagen.

Freighter services will be abolished and the all-cargo aircraft fleet will be sold, including the new 747 Jumbo freighter recently introduced.

Domestic Routes: The Scottish internal routes are being studied. If plans can be produced by the end of September to turn the present £5m loss into an assured profit, the routes will stay; if not they will go.

The Scottish internal routes are: Glasgow to Aberdeen, Inverness Benbecula, Stornoway and Belfast; Edinburgh to Aberdeen; Aberdeen to Shetland and Orkneys; Stornoway to Inverness; Inverness to Orkney; Orkney to Shetland.

If they are dropped these routes will be taken over by independent airlines.

Stations: These stations—places where BA retains staff and has flight operations—will be shut next spring; Prestwick, Luxembourg, Belgrade, Zagreb, Sofia, Bucharest, Salonica and Valencia. The Scottish stations which might go are Benbecula, Stornoway, Shetland and Orkney.

Other Bases: The engineering bases at Cardiff (Rhoose) and Manchester will close. The College of Air Training at Hamble will shut, and is already for sale. "We see no need to train further pilots for British Airways for several years."

Fleet: Sixteen aircraft will be sold, including the 747 and three 707s used for cargo, two passenger 707s, two 747 passenger jets, one TriStar Series 500 and seven Trident Twos.

Deliveries of 19 new Boeing 757s will go ahead as planned from 1983 onwards "but no other new aircraft will be added to the fleet before 1984 at the earliest."

If the Scottish internal routes go, seven Viscounts and two HS-748s will also be for sale.

Some TriStars and Boeing 737s flying with British Airtours will join the main fleet, but two older TriStar Ones will go to Airtours.

New Boeing 234 Chinook helicopters on order will be delivered as planned.

Premises: Many properties are for sale. The Victoria Airways Terminal has been sold. Almost all South Ruislip offices will go. Other buildings on the disposal list include Bealine House at Ruislip and the East Burnham Staff College. The various staff club buildings will go.

Recruiting: This is virtually halted.

Subsidiaries: There are no plans for getting rid of the profitable British Airtours, International Aeradio and British Airways Helicopters.

"Where there are prospects of continued profitable growth, we shall continue to invest in them. They are an integral part of British Airways, and we expect them to remain so."

Catering: The Heathrow Northside Aircraft Catering Centre will be transferred to an outside firm. All staff catering at Heathrow will also be transferred to outside contractors.

Other activities: Widespread cuts in administrative services, such as typing pools, copying centres, communications and postal services and computer services. The Viscount House computer centre will close.

Mr Watts said the airline was working hard to improve its product, raise its operating standards and increase the average amount of money it earned from its passengers.

"We are pressing the whe airline industry to realise th over capacity and the fares c ting it produces are pushi airlines all over the world i selling their product for l than it costs them to make.

"We hope our own examp will lead other carriers sensible cuts in capacity.

"We are pressing the Brit Government to help us w sensible measures like limiti landing fees, lifting the burd of security charges, and allo ing us to return Iberian servi from Gatwick to Heathrow.

"But these are all fairly lo term measures. Not all of th can be undertaken by Brit Airways alone, and even th will take a considerable time produce worthwhile impro ments.

"We can't wait that long. need results now. That is w the main emphasis in this rese plan has to lie on cutting co quickly and drastically.

"If we don't, then we sha be in business when recession bottoms out and business begins to grow agai

Details of a severance plan get volunteers to go quic include payments of up to years' pay for those with o 15 years of service, with les amounts for those with time.

APPOINTMENTS

Cadbury Schweppes' senior posts

Mr Harry Lavery and Mr Neville Bain have been appointed directors of CADBURY SCHWEPPES. Mr Lavery, who is group technical director, joined Cadbury Schweppes in 1972 and was managing director of the tea and foods division before taking up his present appointment two years ago. Mr Bain has been group planning director since September last year. For three years previously he was managing director of Cadbury Schweppes' South African company.

★

Mr Kenneth H. Thompson, a managing director of The Charterhouse Group, has been appointed chairman of CHARTERHOUSE GROUP administration following the retirement of Mr John A. Downes. As managing director—finance, planning and administration, Mr Thompson is responsible for the group's central services. Mr Thompson, who joined the group as finance director in May 1975, was appointed a group managing director in March.

★

Mr John A. Cooper has been appointed to the board of ENERGY, FINANCE AND GENERAL TRUST HOLDINGS. He will concentrate on the expansion of corporate financial services in the Midlands and North of England.

★

Sir Charles Hardie, a partner in DIXON WILSON AND COMPANY, retires from the firm on September 30. He will be succeeded as senior partner by Mr S. Marius Gray and Mr John H. Gasten will continue to act as managing partner.

★

Mr Peter Firmston-Williams, former managing director of Asda Stores and a director of Associated Dairies Group, who retired from both boards at the end of August, has been appointed chairman of UKAY FURNISHING CENTRES, the ADG company.

Mr Firmston-Williams has also accepted an invitation from the Agriculture Minister to take over the chairmanship of the Covent Garden Market Authority from January 1 when the present chairman, Sir Samuel Goldman, retires.

★

CENTURYAN SECURITY has appointed Mr Stephen Phillips as managing director. Mr Phillips was managing director of Aircraft Cleaning Services, Gatwick, which is a member company within the OCS Group. He remains on the ACS board and also leads another company in the Group, General Pest Control.

★

GTE SYLVANIA has appointed Mr Brian P. Doe managing director. Mr Doe was previously European marketing manager for Sylvania in Geneva.

★

Mr A. A. Dunn has succeeded Mr J. Manson as chairman of WIGHT HOLDINGS. Mr Manson has been retained as a director/consultant within the group.

★

The Queen has approved the appointment of Mr Geordie Oliphant Hutchinson as a part-time FORESTRY COMMISSIONER in succession to Denis Raymond Hicklin, whose term of office ends on September 30. Mr John Denton Pollock has been reappointed as a part-time commissioner on the expiry of his term of office.

★

The BRITISH RAILWAYS BOARD has appointed Mr Michael G. Baker as chief solicitor and legal adviser from November 1. He succeeds Mr Evan Harding who is retiring.

★

Mr J. R. Evans has been appointed managing director of LANSING HENLEY. He was previously manufacturing director.

★

Mr E. P. Chappell, a vice-chairman of Morgan Grenfell Holdings, has re-joined the board of MORGAN GRENFELL AND CO. LIMITED.

★

MARLEY has appointed Mr D. M. Eastick director and general manager of its subsidiary Phetco (England).

OVERSEAS

Mr Asbjörn Aase has been appointed managing director of Järnkonst AB, Landskrona, Sweden, an ASEA Group company manufacturing and marketing industrial and public lighting systems. He will take up his duties on October 15. Mr Aase is currently managing director of Ulferts Fabriker AB, Tibro. Mr Sten Nilsson, technical manager at Järnkonst, has been appointed deputy managing director of the company from the same date.

★

Dr Paul F. Pagery, vice-chairman of Sybron Corporation has retired after a 28-year career with Sybron and its Taylor Instrument division. He remains on the Sybron board. Mr Donald D. Welt has joined the corporation as group vice-president—instrument. Mr Welt has been president of Rochester Instrument Systems, Inc., a company he started in 1981 in Rochester, New York, and now assumes responsibility formerly held by Dr Pagerey.

★

Dr R. Gamper, until February general manager of Zurich Insurance Company, has been appointed general manager and managing director of SWITZERLAND GENERAL INSURANCE COMPANY, Zurich. He is to succeed Mr D Benati, who will retire for health reasons before the end of the year.

★

Mr Douglas Denby, vice-president, has been appointed representative for MANUFACTURERS HANOVER TRUST bank in France and the Benelux countries. Miss Madga Abou-Saif becomes deputy representative in the bank's office in Paris. Mr Denby is succeeding Mr John McCloskey who has returned to the bank's head office in New York to work on corporate relationships within the international division.

★

Mr Robert M. Tuck Jr, has been named president of THE S. K. WELLMAN CORP., a wholly-owned subsidiary of Brush Wellman Inc., Cleveland, Ohio. Prior to assuming his new position Mr Tuck had been president of Tuck Engineering Inc., a consultant engineering firm in Indiana.

★

Mr Edward L. McGarth has been appointed vice-president and manager of international credit in the credit policy department of MELLON BANK, Pittsburgh.

CONTRACTS

French Kier to build £3.5m lake

FRENCH KIER CONSTRUCTION has been awarded a contract by the Anglian Water Authority for the Caldecotte Balancing Lake, nr. Simpson, Milton Keynes. The contract is worth £3.5m.

★

BABCOCK POWER has been awarded contracts worth around £2m for the design, manufacture and construction of decay stores at the Torness and Heysham II nuclear power stations. Each decay store can accommodate both irradiated fuel and reactor assemblies. The irradiated fuel store is a shielded cell containing 32 water-cooled carbon steel decay tubes, in which irradiated fuel assemblies withdrawn from the reactor are stored.

★

WELDTITE ENGINEERING has a contract from Ford Motor Company at Dagenham for piping and mechanical services in the Engine Plant, worth about £1m, to be completed May 1982.

★

PERMALI GLOUCESTER, a member of the BTR group, is supplying a remote control mine disposal system to the Ministry of Defence under a contract worth nearly £1m. Permali will supply filled charge cases for counter measures against mines, with the Royal Ordnance Factory as sub-contractors. A commercial agreement to sell this system to other NATO users is also included.

★

INTERNATIONAL COMPUTERS has an order worth over £500,000 to supply two 2946 medium-range computers to Jacksons Associates, Chichester.

★

FAIREY WINCHES, Tavistock-based member of the Fairey Holdings group, has obtained an order worth nearly £500,000 from British Telecommunications for 44 special winches. The units, due for delivery by the end of March 1982, will be supplied as kits for attachment to British Leyland 4-ton cable laying and general purpose vehicles.

★

PLESSEY ASSESSMENT SERVICES has completed a 3½-year MOD contract costing more than £1m to study the design and through-life cost of Royal Navy equipment and has been retained for a further three year period, worth £500,000.

★

The Boots company has placed an order for £300,000 worth of equipment from PACUNION for two blister packing lines.

★

HUMPHREYS AND GLASGOW SERVICES has been awarded a contract by the Newcastle upon Tyne City Council for the modernisation of 17 houses including small extensions, in Scotswood, valued at around £180,000 early in 1982

British and Danish oil corporations in exploration deal

BY SUE CAMERON

BRITISH NATIONAL Oil Corporation yesterday said that it is planning to make a joint application for oil exploration and production licences in Denmark with the Dansk Olie and Naturgas corporation. The two state oil companies signed a co-operation agreement earlier this week.

The move marks a vital step forward in the expansion of BNOC's overseas activities—an expansion that is thought to have strong backing from the Foreign Office which believes the state oil company can play a key part in furthering the UK's diplomatic relations.

The agreement is the first of its type in Europe for the UK corporation. It has interests in three other countries—Venezuela, Malaysia and Dubai.

BNOC's agreements with Venezuela's Petroven and with Malaysia's Petronas provide for the exchange of personnel and technical expertise.

In Dubai BNOC has entered into partnership with the U.S.-based Atlantic Richfield group which has a concession there. They hope to start drilling in Dubai before the end of next year.

The agreement with the Danish state oil company will give BNOC its first opportunity to apply for oil licences outside the UK.

Denmark produces no gas and only 500.000 tonnes of oil a year. Oil and gas concessions in Denmark have been held by the Danish Underground Consortium—in which Texaco, Shell, Chevron and A. P. Moeller have shares—for more than 20 years.

The Danish Government is evidently dissatisfied with the consortium's performance, and is apparently forcing it to give up about half its acreage. It seems this will be put up for licensing towards the end of next year.

Details of the licensing system and of the blocks which will be made available—onshore or offshore—have not been finalised.

BNOC said last night it had not been decided whether it would apply for Danish licences on a 50/50 basis with Dansk Olie and Naturgas or whether the two might take smaller stakes in other oil company consortia.

BNOC said the agreement signed with the Danish group covered the exchange of information and the provision of technical advice by BNOC to the Danes in addition to joint licensing applications.

Last night Statoil, the Norwegian state oil group, said it too had signed an agreement with Dansk Olie and Naturagas. But Statoil's agreement covers the provision of consultancy and advisory services only.

Statoil said the possibility of making joint licensing applications had not been ruled out.

Norway's general election will be on Monday. Some members of the country's Liberal and Conservative parties believe Statoil should concentrate on its Norwegian interests rather than take stakes in oil or gas concessions abroad.

BNOC said last night one reason for expanding its interests abroad was that it wanted to be able to continue playing a key role in supplying the UK with oil and gas after North Sea crude production started to run down.

European Ferries affirms wish to acquire Sealink

BY ANDREW FISHER, SHIPPING CORRESPONDENT

EUROPEAN FERRIES, which lost more than £9m on its cross-Channel ferry operations in the first half of this year, is now more keen to acquire Sealink UK from British Railways, Mr Keith Wickenden, the chairman, said yesterday.

He said that Townsend Thoresen, European Ferries' shipping arm, had this year so far carried slightly more passengers than last year. "We regard ourselves as the market leaders."

But the cross-Channel price war—he reckoned fares were around a fifth too low—had hit all operators, including P & O which has just announced a £5.2m operating loss in this sector in the first half. Freight volumes were also down. European Ferries' intended takeover of Sealink, for which Mr Wickenden said it is prepared to pay between £30m and £50m, is being investigated by the Monopolies and Mergers Commission, now due to report in November instead of August as originally planned.

"In view of the depressing results being suffered by cross-Channel operators, the benefits of a takeover of Sealink, and thus a rationalisation of capacity become even more obvious," Mr Wickenden said.

Last year, Sealink UK had a £3.8m pre-tax loss.

The shipping division of European Ferries moved from a £1.39m profit in the first half of 1980 to a £9.32m loss in the same period of this year. "We are carrying a lot of people at very unrealistic rates," he said.

He regarded P & O's idea that the loss-making Sealink UK be sold off piecemeal, as "frankly ridiculous" and tantamount to asset stripping. The Government has declared its intention of selling Sealink to the private sector.

Overall, European Ferries made an operating loss of £2.34m in the first half against a profit of £3.74m. Profits from banking and property rose sharply from £1.49m to £5.9m, with the harbour operations' contribution up from £865,000 to £1.27m.

Shipping earnings down slightly to £3.75 bn

BY OUR SHIPPING CORRESPONDENT

BRITAIN'S shipping industry earned £3.75bn from its international activities in 1980, slightly less than the previous year's figure of £3.84bn.

The UK fleet—still the world's fourth largest after Liberia, Japan and Greece despite a slight fall last year—has been struggling against higher costs and eroded profits, as shown by the sharply lower first half results from P&O announced this week.

International freight revenues fell last year from £1.1bn to £1bn, according to British Business, the magazine published by the Department of Trade.

Revenues on cross trades—freight carried between other importing and exporting countries—fell from £1.81bn to £1.78bn.

Revenues on international charter business came down more steeply from £649m to £585m. Passenger revenues rose £311m to £385m. Tanker operations provided less revenue. Dry cargoes produced more.

About 85 per cent of the UK flag fleet last year was owned by the UK shipping industry, and the rest by companies resident in other Commonwealth countries, British Business said.

UK shippers — especially those operating tankers — charter foreign-owned vessels to earn revenue for the UK industry.

Ships on charter accounted for more than half the UK tanker earnings and 26 per cent of total revenue.

Brick prices cut aims to aid joint housing projects

BY ANDREW TAYLOR

LONDON BRICK will cut by 10 per cent the price of bricks used for joint venture low-cost housing developments by private housebuilders and local authorities. The scheme will run for six months.

The company, which has almost 500m unsold bricks in stock, is supporting a campaign by the Housebuilders Federation to persuade more local authorities to attempt joint venture schemes.

London Brick recently closed down its major Ridgmont works in Bedfordshire with the loss of 800 jobs. As a result of the cut the company was able to resume full time working at its other plants.

The company said it was first building materials producer actively to support joint venture housing schemes with local authorities.

Mr Jeremy Rowe, London Brick's chairman, said the company's contribution might be small, but "if we are to get housebuilding moving again and thereby reduce unemployment then we much get costs down. Materials producers should play their part in this—together we could bring about a significant reduction in the cost of new houses."

Under joint venture schemes local authorities normally provide the land for private housebuilders to put up low cost homes as an alternative to rented accommodation. The campaign by the federation was last week backed by Mr. John Stanley, Minister for Housing and Construction.

Three Rivers deal puts ICL in top league

BY GUY DE JONQUIERES

ICL'S AGREEMENT with Three Rivers is a bold attempt by the British company to rejuvenate its product line by leapfrogging directly into one of the most exciting new fields of computing. It is also a commercial arrangement in which ICL, which dwarfs Three Rivers' $3m turnover, seems sure to be the dominant partner.

ICL PLANS to manufacture and market in much of the world a powerful microcomputer developed by Three Rivers Computer a small U.S. company based in Pittsburgh.

The agreement, announced yesterday, is the first of several collaborative ventures which Mr Robb Wilmot, ICL's new managing director, hopes to conclude in a bid to broaden product strategy and enter fresh markets.

ICL has also been talking to several Japanese electronics manufacturers. It confirmed, yesterday, that Mr Wilmot had visited Tokyo earlier this month but said no agreements had been reached so far.

The company appears most interested in reaching an agreement with Fujitsu, a leading Japanese manufacturer of electronic components, chips and telecommunications equipment.

ICL plans to manufacture the Three Rivers' microcomputer because its requirements are likely to exceed greatly the production capacity of the U.S. company, currently making only 30 machines a month.

Three Rivers is understood to have granted ICL exclusive marketing rights to the machine for most of the world except the U.S., Japan and Eastern Europe.

Mr Wilmot is due to give further details of the agreement and to discuss ICL's future product and marketing strategy at a press conference in Paris next Monday.

Three Rivers' sole product, the Perq, is one of the most advanced microcomputers available. Dr Geoffrey Manning, of the Science and Engineering Research Council's Rutherford Laboratory, which has three Perqs, says the machine is "an indication of the way in which computing will go in the future."

The Perq is compact enough to fit comfortably in the average office. But it offers far higher performance and technical sophistication than mass-produced "personal" computers like the Apple, Commodore PET or the machine launched recently by IBM.

It also costs about 10 times more—£25,000 in the UK—though the price is likely to fall in time.

While personal computers can perform useful tasks, including accounting, payrolls and financial planning, there are limits to the amount and complexity of the work they can deal with. These are posed by the power and speed of their central processors, which carry out the computations, and by the size of their memories, which store the data needed.

The Perq, on the other hand, is designed to bring to each user's desk as much power as is currently available from a minicomputer costing substantially more.

This power enables the machine to generate and display highly detailed graphics, including moving pictures, and to carry out quite advanced technical and scientific calculations.

The machine does this by means of its sophisticated microelectronic components and also by communicating with other Perqs. When connected by transmission cables, the computers can transmit and receive large volumes of data at high speed.

This concept is one of the technical keystones of the electronic "office of the future." ICL and Three Rivers both envisage the Perq as a personal work station, on which managers and professional staff will be able to perform text and data processing, prepare graphics such as engineering blueprints and send and receive electronic messages.

ICL's main attraction for Three Rivers is its extensive international marketing network. Until now, the Perq has been distributed outside the U.S. mainly by direct sales, and Three Rivers has been unable to afford the local support and service which many computer customers require. ICL is also expected to help develop the machine further.

Three Rivers is a classic product of the marriage between U.S. high technology and entrepreneurial flair. It was set up in 1974 to develop commercial products using research performed at the Carnegie-Mellon University in Pittsburgh. Much of the initial finance came from U.S. scientists and academics.

The company first conceived the idea for the Perq in 1978 and last year, shed all its other activities to concentrate on making and selling the machine. Mr Jim Gay, company president, sayst hat, during the current financial year, it will move into profit for the first time.

How did Three Rivers settle on the name for its machine? "Very simple," says Mr Gay. "It comes from 'perquisite'—everybody should have one."

Turner and Newall cut 500 jobs

Financial Times Reporter

TURNER AND NEWALL, the engineering and plastics group, which has shed more than 5,000 UK jobs in 18 months, yesterday announced plans to cut another 500 jobs. A further 250 jobs are at risk.

The group reported an £8.5m pre-tax profit for the first half on sales of £303.3m. This compares with a profit of £12.2m on turnover of £348.1m for the comparable period last year.

Redundancies will be required within the Midlands-based British Industrial Plastics. Some 500 workers at Streetly, Birmingham, making plastic and rubber mouldings, have been told the operation will close by the end of the year.

Turner and Newall also announced it is looking for a buyer for its engineering division employing 200 workers on the Streetly site, and for its foam moulding business, employing 50 workers, at Maryport, Solway Firth, Cumbria.

Coventry Climax, the fork lift truck subsidiary of BL, is to close its factory in Warrington, Cheshire, next March with the loss of 350 jobs.

The company's factory is one of Warrington's major engineering plants. Its closure will create the biggest single batch of redundancies in the town since August last year, when 670 people employed by British Steel lost their jobs.

The company has decided to close the Warrington factory in order to protect its assembly operation in Coventry, which employs 1,000 people.

Workers at the Sanderson wallpaper factory in Gosport, Hampshire, have lost their fight to save their jobs.

The company made 100 workers redundant six months ago in a bid to keep the plant going but the effort has failed and the remaining 100 workers are to be made redundant.

L. Gardner and Son, Diesel Engine manufacturer in the Hawker Siddeley group, has begun talks with the trade unions over possible redundancies at its Salford plant. It is believed as many as 500 out of the total of 2,100 jobs at the factory, could be at risk.

The company experienced a two month strike and sit in last year over proposals for 600 job cuts and the cutback was later scaled down to 300 voluntary redundancies. The company has been working short time since May

Dorman Diesels in Stafford is to make 95 workers redundant. The company said 55 staff jobs are to go, the balance coming from the hourly paid support staff. Dormans estimate the redundancies will save £750,000 a year.

Saunders Valve is to close down its butterfly and ball valve factory at Hereford in the first three months of next year, with the loss of 146 jobs. It is also seeking a further 100 redundancies at its Newport foundry and Cwmbran factory, South Wales.

PM may start Cabinet talks at weekend

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER is expected to begin consulting ministers this weekend on her proposals for reshuffling the Government team prior to an announcement before she leaves on September 25 to visit the Middle East and Australia.

There was speculation at Westminster yesterday that the announcement could come as early as Monday, but it will depend entirely on the progress Mrs. Thatcher makes with her discussions.

The advancement of the usual Thursday Cabinet to next Tuesday increased speculation about the prospect of an early announcement of ministerial changes, but there was said, authoritatively, to be no connection.

Tuesday has been chosen for the meeting because it is necessary to have a Cabinet before senior Ministers, including Sir Keith Joseph, Secretary for Industry, Mr John Biffen, Secretary for Trade, Mr John Nott, Secretary for Defence, and Mr Peter Walker, Minister of Agriculture, leave for a series of foreign visits.

Although Mrs Thatcher's planned changes are not expected to involve more than half-a-dozen members of the Cabinet, the Prime Minister may make many changes in the middle and junior ranks of her administration.

She is being pressed by senior Tory backbenchers to take the opportunity of the halfway point of the Parliament to promote junior Ministers who have proved their worth as well as promising backbenchers and to get rid of those who have not proved a success.

The consultations and interviews are expected to start at the weekend, when Mrs Thatcher will be at Chequers, and to continue on Monday at Downing Street.

Mrs Thatcher said in her radio interview with Jimmy Young on Wednesday, that she would not be "hustled" into announcing the changes in her team in the face of calls to end the speculation and uncertainty surrounding the future of many of her ministers. The changes are not expected to herald any switch in Government economic strategy.

Liberals plan to enforce incomes policy

BY IVOR OWEN

MANAGEMENT and workers who refused to comply with a statutory incomes policy would face financial penalties imposed through taxation, under Liberal proposals to secure non-inflationary economic expansion published today.

A discussion document entitled Foundations for the Future, which will be debated on Tuesday at the party's annual assembly in Llandudno, envisages a Liberal-led Government from the next general election.

In a foreword designed to avoid undue harm to the embryonic alliance with the Social Democrats, Mr David Steel, the Liberal leader, said work on the draft programme began before the fledgling party was formed and its "gang of four" broke with Labour.

The Social Democratic Party was strongly in evidence, however, before work on the document was completed. The attempt to assert Liberal primacy after the next election is a recognition of the bitterness felt by many of the party's rank-and-file supporters. They fear Mr Steel is in danger of being dominated by his new allies.

The difficulties involved in enforcing the "norms" embodied in a long-term incomes policy in the face of determined opposition from militant unions are freely acknowledged. The deprivation on tax privileges is seen as the best form of ultimate sanction.

"In other words, employers and employees who observe the incomes policy should enjoy a lower rate of taxation than those who, for whatever reason, step out of line."

While making clear no criminal offences would be involved in breaching incomes policy, the document stresses it would be made "expensive in tax terms."

A direct appeal to workers, over the heads of unions, to end the traditional leap-frogging process in pursuit of annual wage claims is also envisaged.

The document restates the Liberal belief that an incomes policy implemented on the basis of a manifesto commitment is more likely to succeed than one introduced in a crisis situations with the electorate having no opportunity to express a view.

It also argues that such an incomes policy would provide the stable environment needed to encourage real as opposed to paper investment in industry.

Radical constitutional reform, with autonomy for Scotland, Wales and the major English regions, under a federal government operating within a written constitution, and major changes in the structure and practice of companies and financial institutions are also advocated.

NEB acquires first robotics subsidiary

BY MAURICE SAMUELSON

THE NATIONAL Enterprise Board, which is trying to increase the use of robots by British industry, yesterday completed the acquisition of British Robotic System (BRSL), its first investment in this sector of advanced manufacturing.

The purchase was announced by the British Technology Group, the body in which the NEB operates in partnership with the National Research and Development Corporation (NRDC).

BRSL, which will employ about 12 people, was acquired from Systems Programming and Remek Microelectronics. One of its first commercial products will be a computer-based sensor for industrial use, developed with close university collaboration.

Although not costly in financial terms, BRSL is regarded by the NEB as the first of a series of investments in companies with a high technology background and specialising in robotics.

The company, which could be the vehicle for further such investments, is expected to operate on a turnkey system, acquiring licences from abroad and designing uses and applications to stimulate the use of robots by manufacturing industry.

The NEB is also talking to leading robot manufacturers in the U.S. and Japan interested in helping to build up a manufacturing base in the UK which could take advantage of the European market.

This latest investment follows BTG's announcement in July of the investment in Quest Automation, a company which plans to expand in computer-aided design and manufacturing. Quest already claims to be the biggest independent European manufacturer in a field dominated by American companies.

The distinctive feature of the image recognition sensor developed by BRSL is its capability to analyse an image into 256 levels of intensity which can be optimised to suit an industrial user's specific application.

Among other functions in which robot control can potentially be used are component part identification, location and orientation, detection of foreign particles in foodstuffs and other inspection and quality control systems.

The move into robotics has been given new impetus by the marriage between the NEB and NRDC, revealed earlier this year.

Through its association with BTG, BRSL also intends to develop close contacts with universities and other centres of research and development to ensure that it keeps abreast of new advances in technology.

Economist attacks basis of controls on imports

FINANCIAL TIMES REPORTER

THERE IS "no such thing as a balance of payments problem" and the economic specialisation generated by free trade "is almost equivalent to economic progress."

These claims are made in a booklet, The Case Against Import Controls by Mr Tim Congdon, published yesterday by the Centre for Policy Studies.

The most effective method of undermining the protectionist position, according to Mr Congdon, is to push it to its logical extremes. The case for import controls on a national level is logically equivalent to a case for imposing similar controls for regions, towns or even villages, within a nation.

Economists who argued for relatively low tariffs should recognise that "approval of a low tariff, because it will bring some advantages, leads inevitably to approval of a high tariff, because it will bring even more."

The balance of payments justification of import controls is based on a fallacy. If a current account deficit resulted from private-sector decisions to buy foreign goods, there could be no balance of payments problem because the private sector would automatically have to borrow funds abroad, thus offsetting the current-account deficit with a capital-account surplus. Such borrowing is "desirable and beneficial."

BL reassesses Acclaim

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DEALER REACTION to the Triumph Acclaim, to be launched in October, has been so enthusiastic that BL is reassessing marketing plans for the car.

The Acclaim a 1300 cc four-door saloon based on a design provided by Honda of Japan, has been driven by hundreds of dealers.

"They are as enthusiastic about the Acclaim as they were a year ago about the Metro," Mr Tony Ball, chairman and managing director BL Europe and Overseas and BL's top salesman, said yesterday.

He has set a target for the Acclaim to take 3 per cent of UK new-car sales. Dealers say this might be an underestimation.

Acclaim goes on sale on the Continent next spring. The aim is to sell about 10,000 there in 1982, compared with about 45,000 in the UK.

Incentives to encourage sales of new cars criticised

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE METHODS which manufacturers and importers have been using to increase new car sales were attacked yesterday by Dr Jim Maxmin, managing director of Volvo Concessionaires, the Lex group subsidiary.

He said some manufacturers were putting up retail prices by about 5 per cent every 80 or 90 days but not increasing the cost to dealers proportionately. This enabled dealers to offer apparently bigger discounts on list prices.

Dr Maxmin suggested some companies had so much stock they had desperately introduced new discount schemes and other incentives to shift their cars.

One major manufacturer had offered dealers an extra 6 per cent discount at the end of August to push up its market share.

These efforts increased sales and new car registrations this year were unlikely to fall below 1.5m. The i[illegible] forecast last January that there would be 1.41m new registrations compared with 1.51m in 1980.

Dr Maxmin said the situation was dangerous for the industry because it encouraged customers to assume they could always get a discount on a new car.

In the longer term it would create customer dissatisfaction because the customer would have to pay for the discount or incentive when he traded in the vehicle. He would then find it had depreciated faster than normal.

The continued wave of discounting was also putting dealers under financial pressure. Some of them were no longer able to provide adequate back-up and aftersales service.

He named three other companies which, like Volvo Concessionaires, had refused to be drawn into the "incentives game" — BMW, Mercedes and VAG, the Volkswagen-Audi group.

He said all four companies had increased their market shares in the past couple of years. This was because they had concentrated on customer service rather than discounting.

Volvo pushed up its share of new car sales from 2.48 to 2.8 per cent in the January-August period and expected to register 41,000 cars in 1981 compared with its January forecast of 38,000 — the same as last year.

Volvo has held its prices steady for the past year but yesterday announced higher specifications for its 200 series, the larger cars, and a 5.1 per cent increase.

Midland Bank may introduce 50p charge

MIDLAND BANK is expected to announce in the next few days that it will start charging other banks' customers 50p for cashing personal cheques at its branches from next month.

Midland is following the example of Barclays Bank, which started charging other banks' customers from the beginning of last week.

National Westminster Bank and Lloyds Bank have said they will cash personal cheques of other banks' customers without charge with the exception of Barclays' customers. Midland's decision will force these banks to reconsider their position and could lead them to fall into line with Midland and Barclays.

Midland's move is expected to lead to a behind-the-scenes row among the member banks of the cheque card committee which have previously agreed to cash each other's cheques free. Barclays Bank was never a member of this committee and has its own cheque guarantee card.

Mr Bert Morris, head of National Westminster Bank's money transmission operations, said yesterday he was "very disappointed" at Midland's decision.

A number of bankers believe the decision by Barclays and Midland Bank to charge 50p is damaging efforts to extend the banking habit. The move is especially embarrassing for Mr John Cox, Midland Bank general manager, who is chairman of the banks' "Payment of Wages" working group, which is trying to encourage workers to have their wages paid into bank accounts.

In many towns the move will have little effect since customers of other banks can walk to their own branches. In rural areas, however, and places served by special facilities such as university campuses or factories, the move could cause problems.

Steel output down on August 1980

STEEL PRODUCTION in Britain averaged 236,400 tonnes a week last month, 3.7 per cent less than in August 1980.

The level of steel production had been showing some slight improvement in recent months. Figures for July and August must be treated with caution because of the impact of summer holidays.

Six councils named conservation winners

SIX LOCAL authorities were named yesterday as the winners of a national competition for energy conservation schemes, sponsored by Tesco, the retail chain, and LAMSAC, the local government umbrella body.

The winners were Cambridgeshire, Cheshire and Durham county councils; Coventry City Council; Shrewsbury and Atcham Borough Council; and Caithness district council.

Computer system for lorry fleets

FREIGHT Computer Services, a subsidiary of the state-owned National Freight Company, yesterday launched a micro-computer lorry fleet management system for operators of 20 or more vehicles.

The £7,000 system allows operators to assess instantly the source of all costs of vehicle operation.

Smiths Industries buys U.S. company

SMITHS INDUSTRIES, the aerospace and motor equipment group, has bought a U.S. company, Integrated Air Systems, for £7m.

The California-based company makes specialist air cleaning units for the electronics and pharmaceutical industries. Last year Integrated Air Systems had a turnover of more than £10m.

MoD deputy given Treasury post

MR MICHAEL QUINLAN, a deputy secretary at the Ministry of Defence, will move to the Treasury on secondment to take up the appointment of Deputy Secretary, Industry, the Government said yesterday. He will deal with the public spending and general economic aspects of the nationalised industries.

Esther Rantzen on Consumer Council

MISS ESTHER RANTZEN, producer and presenter of the television programme "That's Life," has been appointed to the National Consumer Council. She is one of three appointments to the council, the others being Miss Sheila Black, former women's editor of the Financial Times and at present chairman of the National Gas Consumers' Council, and Mrs Elizabeth Hodder, eastern area officer of the National Association of Citizens Advice Bureau.

British Caledonian sells aircraft

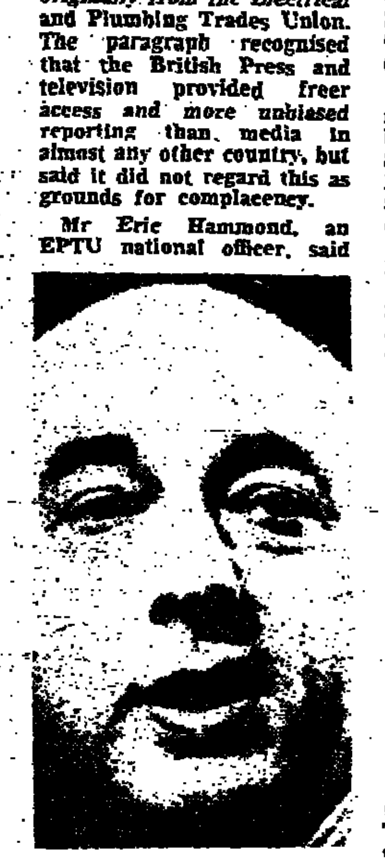
BRITISH CALEDONIAN has concluded a £3.5m deal for the sale of its seven BAC One-Eleven 200 Series aircraft to a new Californian airline, Pacific Express.

'Class bias' of press deplored by unions

CONGRESS overwhelmingly approved a motion deploring the media's biased and selective dissemination of information, and expressed disgust over misrepresentation of trade union issues, particularly in the national Press.

The debate became heated over the final paragraph of the composite motion, originally from the Electrical and Plumbing Trades Union. The paragraph recognised that the British Press and television provided freer access and more unbiased reporting than media in almost any other country, but said it did not regard this as grounds for complacency.

Mr Eric Hammond, an EPTU national officer, said



SAPPER: Bias based on class division.

his union suffered from attacks in the media, thougn many were from the left-wing Press and their sympathisers in the national Press.

Others who had been attacked included Sir John Boyd and Mr Terry Duffy, respectively general secretary and president of the Amalgamated Union of Engineering Workers.

He said that, whatever the problems of the media, there were always those ready to use it and he gave as examples Mr Arthur Scargill of the miners, Mr Tony Benn and Mr Ken Livingstone, leader of the GLC.

However, Mr Hammond was very much in the minority in the debate. Moving the motion, Mr Alan Sapper, general secretary of the Association of Cinematograph, Television and Allied Technicians, said bias was regularly displayed in reporting the affairs of trade unions and the Labour Party.

The bias was based on class division, and the class being attacked was the working class.

Bias, he said, took many forms: unspoken bias, such as racism or sexism, censorship of such issues as Northern Ireland and the recent inner city riots; unbalanced reporting of strikes such as the 1978-79 "winter of discontent" and the "elaborate" exposure given to the Social Democratic Party.

He said Mr Benn was denigrated in the newspapers every day. Whether one agreed or disagreed with his policies, no individual should be denigrated in that way.

Mr Les Moody, general secretary of the Civil Service Union, said that since this Government had come to power the Civil Service had been subjected to a campaign against it almost without precedent in the last two decades.

He too did not spare the left-wing press, instancing his own union's difficulties with the New Statesman over articles alleging widespread corruption at the Government Communication Headquarters in Cheltenham where the CSU has many members.

Mr Bill Miles, of the Society of Graphical and Allied Trades, took direct issue with Mr Hammond's point of view, arguing there was no evidence to substantiate the claim that the British media provided freer access than anywhere else.

Mr Aidan White of the National Union of Journalists stressed the importance of the right of reply campaign and the Campaign for Press Freedom in trying to make newspaper editors and proprietors more accountable for their decisions.

Fight to prevent refinery closures

SHOP STEWARDS from BP's Isle of Grain refinery and from Burmah's refinery on Merseyside — both due to close — met national union officials in Blackpool.

Shop stewards said the Amalgamated Union of Engineering Workers was giving its support to the fight to prevent the shutdown of the two refineries.

An inter-union refining delegates conference is being called for October to discuss the issue of refinery closures.

Congress calls for ban on nuclear weapons

Reports by Christian Tyler, John Lloyd, Philip Bassett, Nick Garnett, Brian Groom
Photographs by Terry Kirk

THE TUC voted overwhelmingly to support unilateral nuclear disarmament.

In a motion which called for an "unequivocal policy declaration" in Labour's next election manifesto, delegates demanded:

- The closure of all British nuclear bases.
- No siting of Cruise or Trident missiles in Britain or the neutron bomb in Europe.
- Total opposition to any British defence policy based on the use or threatened use of nuclear weapons.
- A cut in arms spending.
- Government aid for alternative work for those who lost their jobs through these policies.
- Full support for the world disarmament campaign.

The decision by the congress marks a major switch of policy by the TUC and removes the ambiguity of last year's vote. It also means the unions have swung into line with the Left of the Labour Party.

The Labour Larty conference has already declared itself in favour of abandoning Britain' nuclear deterrent, although last autumn's conference also decided to continue supporting Britain's membership of Nato.

Launching tahe debate Mr Larry Smith of the Transport and General Workers Union, said the nuclear debate had moved into a new and terrifying stage with President Reagan's decision to go ahead with the neutaron bomb.

It was "the dirtiest of dirtay bombs" and was a sign, like the cruise missiles, of a dengerous and radical change of military thinking towards the idea that a nuclear war of limited objectives was winnable and survivable.

"The generals are not going to wait for a Tory government to return from the grouse moors. They are going to press the button and ask questions afterwards," Mr Smith said.

Nuclear sites in the UK were not a deterrent—they made it a target. "We will be far safer with the bases closed and the missiles dismantled," he said. The best defence against nuclear weapons was not to have them at all.

World nuclear disarmament should be pursued and Salt II implemented, but multilateralism had achieved little in the last twenty years.

Britain should give a lead and restore confidence in the world's ability to disarm. "The military maniacs must be stopped now."

Mr Ray Buckton, general secretary of the train drivers union ASLEF, said unilateralism was the best way. "We tried the other one and it has failed."

Referring to Nye Bevan's famous remark that Britain should not go naked into the conference chamber, Mr Buckton asked what kind of clothing did he want? Should it be the clothing of nuclear bombs or of wisdom?

Britain should disarm to set an example to others and spend the money which was saved on social services.

A TUC committee must be set up to investigate ways of re-deploying workers from the nuclear arms industry, he said.

Mr Roy Grantham, general secretary of the Association of Professional, Executive, Clerical and Computer Staff, proposed an amendment which fell short of unilaterialism.

It opposed the siting of cruise and trident missiles in the UK

SMITH: Generals would not wait for the Tories to return from the grouse moors

and the neutron bomb in Europe, but also the SS-20 missiles in Eastern Europe as a quid pro quo.

The spread of nuclear weapons to new countries was a more important factor in the emergence of a possible nuclear holocaust than was any unilateral move by a major power.

The threat of nuclear weapons could be removed only by negotiation. Unilateral disarmament would encourage the Kremlin hawks.

It would not make Britain less vulnerable to a nuclear war. "There is no hiding place in the event of a nuclear war," he said.

Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers, said that, sadly, "the balance of terror has given Europe and the world the longest period of peace for centuries."

He did not believe the British people would ever vote to power a party which argues that Britain should be defenceless.

The amendment was defeated on a show of hands.

Mr Tom Jackson, chairman of the TUC international committee, said earlier in his annual report that the U.S. decision to go ahead with the neutron bomb had made the world a more dangerous place.

It came, he said, at a time when there was hope of progress on detente and disarmament. However, the world faced an awful prospect as nuclear weapons proliferated in areas of high tension such as the Middle East and southern Africa.

Turning to other matters he said the Ottawa world economic summit had signally failed to give the leard required.

There was a worldwide offensive by governments to restrict trade union rights.

He gave numerous examples in Africa, South America and elsewhere of countries where imprisonment, usually without trial, was used against trade unionists.

There had also, he said, been an upsurge in attacks on trade union freedoms in industrial countries. He deplored the jailing of air traffic controllers in the U.S.

Chapple demands policy of conserving energy resources

CONGRESS AGREED the TUC's review of energy policy, which includes calls for energy self-sufficiency, an energy conservation agency, an increase in energy capacity and no undue reliance on any one fuel.

But the debate again gave rise to opposing pressures from the National Union of Mineworkers, supporting a heavy coal-based energy structure, and from craft and general unions, backing nuclear power as a key element in the UK's future energy supplies.

It also resulted in an attack on the report from one delegate who called it a "fraud" because it pretended that differences in the labour movement over energy could be reconciled. It also vastly over-stated the need for increased energy supplies.

Two motions on energy from the NUM and the Amalgamated Union of Engineering Workers were withdrawn to maintain some form of unity on energy policy.

Introducing the policy review, Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union and chairman of the TUC's fuel and power industries committee, said it provided a framework "for more sensible energy policies than those being pursued by the Government."

The review showed the folly of relying on energy imports. It also showed that self-sufficiency was a sensible policy.

But there could be no self-sufficiency if coal reserves were left untapped. The general council had therefore supported the go-ahead for working the Vale of Belvoir coalfield.

Oil wealth was being frittered away by the failure so far to build a gas-gathering pipeline and no one but the Government wanted the sale of gas showrooms.

On all these issues, the review was better suited to UK needs than Government policies.

Added to this, he said, were unreasonable delays in holding an inquiry into the pressure water reactor.

"Perhaps the biggest failure of the Government is the failure to produce a comprehensive statement on energy policy.

"We must have investment in coal, the development of nuclear power, slower depletion of North Sea oil and gas, along with increased conservation and the development of new energy sources."

There was a need for energy planning and the unions were calling for the re-establishment of an energy commission.

"We believe that the most dangerous road of all to follow would be to jettison the nucleor programme now and to be forced to restart it in haste in the 1990s when the pressure of public demand might require corners to be cut: that is a risk we are not prepared to take."

Mr Ray Chadburn, president of the NUM Nottinghamshire area, said his union opposed nuclear power for generating electricity "until we have copper-bottomed guarantees on safety." But miners did believe

CHAPPLE: To jettison nuclear power would be dangerous road

Labour deputy leadership contenders—Tony Benn, John Silkin and Denis Healey—at last night's debate

Steel 'plunderers' warned by Sirs

MR BILL SIRS, general secretary of the Iron and Steel Trades Confederation warned intending purchasers of British Steel Corporation assets that the industry's workers expected a future Labour Government to renationalise them without compensation.

Congress unanimously approved the confederation's motion demanding renationalisation without compensation, the abolition of cash limits and the reform of financial and industrial democracy arrangements within BSC.

Mr Sirs said the Government was trying to put as much of the steel industry into private hands as it could. He accused it of the "most vicious plundering of nationalised industries we've ever had."

Wholly owned BSC subsidiaries were being created with a view to hiving them off. But the people who were buying national assets in the hope of making a killing were the same people who accused nationalised industries of inefficiency.

"All intending purchasers must know we intend taking them back and we intend to do it without compensation," said Mr Sirs.

His union also wanted to restore the social clauses of the Iron and Steel Act, 1975, because BSC at present had "no responsibility for those it threw on the scrapheap."

Renationalisation was not enough, Mr Sirs said. Steel workers must have a say in the running of the industry. But his union did not have a say because the BSC chairman wanted to determine who should be the union's worker directors.

"Industrial democracy is dead when we are being told who shall be our representatives."

The industry was not getting the investment it needed because of the Government's adherence to cash limits and targets for the public sector borrowing requirement.

"Once the Government picks a figure out of its hat, we have to squeeze in behind it," he said.

Mr Len Murray, TUC general secretary repeated the general council's previously stated reservations about renationalisation without compensation.

He said workers' shares and pension fund interests must be protected and that there could be retaliation if foreign firms' investments were affected.

Tories' Ulster policy condemned

THE problems of Ulster will not be solved until the British presence in Northern Ireland was ended, said Mr Frank Miller of the construction section of the Amalgamated Union of Engineering Workers.

He called on the Labour Party to adopt a policy opposed to the "implaccable" attitudes of Mrs Thatcher. Since the Tories came to power the situation in Ulster had become desperate and dangerous.

"A continuation of the present policy will mean more deaths. We can expect an extension of the violence," said Mr Miller.

The H-block campaign was seeking a restoration of rights given to the prisoners in 1972 but taken away in a "diabolical" decision of Mr Merlyn Rees when Northern Ireland Secretary.

Mr Len Murray, TUC general Secretary, expressed the general council's support for a motion which sought a peaceful political settlement.

He praised the work of the TUC's Northern Ireland committee, in "keeping open the frail bridge between Catholics and Protestants"

● Congress condemned Britain's use of its Security Council veto to help block UN sanctions against South Africa.

In a motion from TASS, the white collar section of the Amalgamated Union of Engineering Workers, and amended by the Tobacco Workers' Union, congress also affirmed its support for Swapo in Namibia.

It condemned South Africa's "acts of aggression against Angola and other neighbouring independent States."

Proposing the motion, Mr John Tuckfield of TASS said there had to be a campaign to isolate South Africa.

Tighter curbs on textile imports urged

CONGRESS called on the Government to negotiate a strengthened Multi-Fibre Arrangement which set quota levels and global ceilings low enough to prevent further import penetration.

Mr Alec Smith, secretary of the National Union of Tailors and Garment Workers, said the clothing, textile and footwear industries were the victims of a "malevolent and treacherous Government." More than 120.000 jobs in clothing and textiles had been lost last year.

Workers in these industries had not priced themselves out of jobs. Awards under pay policies, such as the £6 flat rate rise under the last Labour Government had given them bigger rises than they had ever achieved before.

Mr Smith acknowledged that clothing had had import protection of a kind for 10 years, but time and time again agreed quota levels had been breached.

Mr Harold Gibson of the National Union of Hosiery and Knitwear Workers said the living standards of workers in developing countries which exported to the UK had improved little in five years.

Delegates back ambulance staff's 999 plea

THE AMBULANCE workers' demand to be recognised as an emergency service, so that they never again have to put lives at risk to maintain their place in the pay league was unanimously backed by Congress.

Mr Terry Mallinson of the Confederation of Health Service Employees said three commissions of inquiry had dodged the issue. But the ambulance service was seen by the public as providing an emergency service and a battery of procedures, regulations and statutes required the ambulance workers to provide one.

Mr Mallinson said everyone using a telephone box saw listed under the 999 emergency services fire, police and ambulance.

Rioters at Toxteth and Southall had not differentiated between the three when they started throwing missiles.

But unlike their colleagues in the fire and police service, who had index-linked salary machinery, ambulance staff had an "itsy bitsy" pay structure that gave earnings of as little as £57 to £60 a week.

Referring to the last ambulance dispute, Mr Mallinson said ambulance workers had been "deliberately set up" by the Government. It had sought to bring the trade union movement into disrepute.

"A Government has no right to put the lives of people at risk in pursuit of an industrial relations policy," he said.

The Cohse motion also supported the junior hospital doctors' campaign to reduce working hours.

Dr Dipak Ray, of the Association of Scientific, Technical and Managerial Staffs, said junior hospital doctors worked hours that were extremely dangerous for them and their patients.

The Minister of Health had recently stated that 72 per cent of junior hospital doctors worked more than 80 hours a week and that their overtime was paid at one-third of time.

It therefore paid health authorities to employ too few doctors to work far too many hours.

After the vote, Mr Bernard Dix, deputy general secretary of the National Union of Public Employees, briefly resurrected the controversy over private health schemes.

He said congress had made it quite clear it was opposed to private medicine and that later this week, there would be a resolution defending the National Health Service.

Any delegation which voted in favour of it and then "sneaks off and seeks to negotiate private schemes for their members are bloody hypocrites and they have no place in this congress," said Mr Dix in a reference to the leadership of the Electrical and Plumbing Trade Union which recently negotiated a private scheme.

Delegates oppose arts grant cut

CONGRESS urged the Government to conduct an urgent inquiry into the workings of the Arts Council, which, it said, was both unrepresentative in its composition and arbitrary and secretive in its decision making.

A motion, unanimously approved by delegates, called on local trades councils and TUC regional councils to campaign against cuts in the already inadequate financial provisions for the arts.

Mr John Barron of Equity compared the UK Governments 45p per head subsidy for the arts with West Germany's £4.76.

● Delegates called on the TUC to provide information to trade union members on financial and other aids available to disabled people.

Mr Chris Hynes of the National League of the Blind and Disabled said a special element could be built into industrial relations courses giving information and advice on how best to employ blind and disabled people in industry.

● Congress passed a motion from the Writers' Guild of Great Britain calling on the Government to introduce early legislation implementing the recommendations of the Williams Report on obscenity and film censorship.

Today's agenda

The TUC in its final day will deal mainly with business left over from the rest of the week. Most prominent among this is likely to be a debate on public services and public sector pay.

Mechanical construction sites deal signed

By John Lloyd, Labour Correspondent

AN AGREEMENT aimed at bringing order to industrial relations on mechanical construction sites was signed formally yesterday. Already there are moves to extend it to all building and civil-engineering sites.

After the agreement was signed, leaders of building unions warned it would exacerbate differential problems between the mechanical and civil sides of the industry.

They would be pressing for a big increase in hourly rates to bring their members into line with the mechanical rates in next year's pay round.

The agreement established a national joint council, to come into being on November 2. It comprises 16 representatives each from employers and unions and will administer the industry.

The council will negotiate wage rates, set productivity targets and act as the final forum for disputes and disciplinary matters.

It will also "nominate" most large sites. This means these sites must establish a supplementary project agreement administered by a project joint council, to monitor and set bonus and other second-tier earnings.

The chairman and managing director of the national joint council have yet to be appointed. It is understood however that Mr Robert Yearsley, group construction director of Northern Engineering Industries, is a strong candidate.

Attempts to conclude the agreement have gone on in various forms for 12 years.

Mr John Baldwin, general secretary of the Amalgamated Union of Engineering Workers construction section and secretary of the joint trade union side, said: "I am satisfied we have been able to bring together all sides of the industry and all of the trade unions so that at long last we understand each other's problems."

Mr Geoffrey Chandler, director-general of the National Economic Development Office under whose auspices the agreement was drawn up, said it was "a vitally important agreement, an innovative agreement."

Mr Chandler and Mr Baldwin with other spokesman for the industry, stressed the importance of further investment and the winning back of contracts lost to overseas companies.

The rate for skilled workers on construction sites will be set at £2.70 an hour from November 2, and will rise to about £3 from January.

This compares with a rate of about £2 in the civil industry. Mr Albert Williams, assistant general secretary of the Union of Construction, Allied Trades and Technicians, welcomed the mechanical agreement but said it would widen differentials and put pressure on other building employers to raise their rates in line.

Mr Baldwin said he had had talks with the three other building unions — Ucatt, the General and Municipal Workers' Union and the Transport and General Workers' Union — on the long term formation of one agreement for the whole industry. Both Ucatt and the Gmwu had shown considerable interest, he said.

Liverpool dockers may take action

Financial Times Reporter

THERE IS a possibility of further industrial action in the loss-making Port of Liverpool over the annual pay claim by 3,500 dockers, now nearly five months behind schedule.

The Port Employers Association said at a two and a half hour meeting with members of the Transport and General Workers Union yesterday that they were not prepared to improve their "final" offer.

"The employers indicated to the union there could be no improvement in their offer and the union is now considering its position," the association said.

Mr Jimmy Symes, the union district docks secretary, said later, "We will be reporting to the dock shop stewards executive committee and a full meeting of the 100 stewards will be called early next week, possibly on Monday."

The next move open to the stewards would appear to be recalling the mass meeting of the dockers which a week ago overwhelmingly rejected, on the stewards' recommendation, the employers' "final" offer.

Occupation at Plessey backed

Financial Times Reporter

THE four-day-old partial occupation of the Plessey electronic plant in Liverpool was backed up by a demonstration outside the city centre factory yesterday.

About 20 members of TASS the white collar section of the engineers' union, are occupying two floors in protest at redundancy notices issued to 1[illegible] employees in the drawing department.

THE PROPERTY MARKET

BY MICHAEL CASSELL

Coal Board funds in new U.S. deal

THE National Coal Board Pension funds have wasted no time in returning to the U.S. property investment market in the wake of their failed bid for Connecticut General Mortgage and Realty Investments.

This time, the object of their attention is a much smaller real investment trust and they have so far only taken a modest 5¼ per cent share stake in the operation — Realty and Mortgage Investors of the Pacific.

Rampac may not be as big as Congen (around $150m against Congen's $350m) but Hugh Jenkins, the funds' director general of investments, seems more than happy with the acquisition. "I reckon we've got super value for our money, with an enormous discount to net assets.

"Rampac has some excellent investments and, on a fully diluted basis, is worth $38 a share. In the last six weeks we have been picking them up for an average $23½. At that level, we are talking about a dividend yield of 7.7 per cent and there is nothing like that in the UK."

Hugh Jenkins, who professes no "predatory ambitions" towards Rampac, says that since the purchase others have been following and the price has already moved up to about $27. The funds have spent $3.3m to build up their 5¼ per cent holding.

Rampac is entirely based on the west coast and is managed by an advisory company of the Bank of Hawaii. Its assets comprise a mix of mortgages and equity interests in property. Among its holdings is an office building in Flower Street, downtown Los Angeles and a half-interest in a 500,000 sq ft office block on California Street, San Francisco. There are interests in the Los Angeles world trade centre as well as in shopping centres on Hawaii.

The coal board funds are not newcomers to U.S. real estate investment trusts—they own California-based Continental Illinois Properties—from time to time held share stakes in several others, and monitor the REIT-market more closely than most.

The new stake in Rampac represents their only minority holding in a U.S. trust and although it appears that an eventual bid for outright control is not on the cards, a larger investment stake cannot be ruled out.

Neither can more substantial U.S. acquisitions. The funds were disappointed not to gain control of Congen but they had no intention of wavering a cast-iron rule—no improvement in the original offer—to enter a bid race with Prudential Insurance of the U.S. Their conviction that the U.S. remains a good place to seek property investments — together with their on-the-spot intelligence network — should see more action yet.

Warner rebels' dilemma

SPARE A THOUGHT this weekend for the small but significant band of Law Land shareholders who have not yet succumbed to the Churchbury Estates' bid, in the hope that better terms will be along shortly.

The departure from the Law Land chair of their champion Sir Henry Warner, who intends to continue the fight, has left the rebels with a board of directors which dislikes the Churchbury terms but which is apparently unable to give any advice other than to try and seek it elsewhere.

Now comes further news to add to their confusion. It appears that, contrary to what Churchbury has been suggesting, the shareholders would not necessarily have to wait another year for an improved offer to come along.

The Churchbury bid has so far bagged a little over 82 per cent of the ordinary shares—a figure which should rise by a few more percentage points before the close next Wednesday. Although the group, headed by Oliver Marriott, has repeatedly insisted that its takeover terms are final it has also been making the point that, under the takeover code, it could not in any case make a better offer for 12 months.

Churchbury, alas, has got it wrong, according to the Takeover Panel. The 12-month rule applies only in the case of unsuccessful bids, in order to prevent takeover targets from being exposed to permanent siege conditions. Churchbury, however, has won the battle for control (if not outright ownership) of Law Land and is free to make an improved offer for the outstanding equity as soon as it likes, though the Panel prefers a "decent interval."

Marriott accepts that Churchbury has erred but claims the point is in any case irrelevant because there will be no higher bid—"I'll eat your telephone if there is"—in an attempt to gather up the defiant stragglers.

Sir Henry and his friends, who account for around 10 per cent of the ordinary shares, clearly believe otherwise and are relying on Churchbury's eventual readiness to pay the price for ridding itself of a thorn in the side which has undoubtedly spoiled what at first appeared to be a smooth City coup.

Whatever Sir Henry's personal feelings in respect of his own substantial shareholding, he remains upset by his conviction that small shareholders were treated shabbily and is concerned to protect what he still sees as their best interests.

He said yesterday: "I am absolutely convinced that Churchbury will eventually have no alternative but to make an improved offer for the outstanding equity. My principal concern is to help those small shareholders, possibly running into hundreds, who may not account for much in percentage terms but whose individual holdings are, for them, important investments.

"Mr Marriott and his colleagues cannot look forward to the prospect of continuing difficulties caused by our presence and, rest assured, we will be looking over his shoulder all the time."

Shareholders cannot however, have been left any the wiser by this week's statement from the remaining Law Land directors, which disclaimed any further responsibility for providing advice on the Churchbury approach. They dislike the offer but, in an admittedly difficult situation, profess themselves unable to make a recommendation one way or the other. The suggestion to "seek your own advice" is not perhaps in the best tradition of board room responsibility.

So if the shareholders are left defiant but slightly perplexed, where stands Churchbury? Marriott does not foresee too many problems, though he clearly does not relish the thought of a potentially troublesome bunch of renegade shareholders attendant upon his every move.

He will have to retain Law Land as a separate entity and will effectively be barred from moving Law Land assets over to Churchbury, although he says this was in any case unlikely. There will be separate accounts and separate dividend payment considerations and, throughout, the Warner dissidents will be on hand.

It could be some time before either side shifts ground. Churchbury, despite its determination, could be pushed from behind by an unhappy institution or the minority shareholders might simply drift away and out of a situation which has not always proved to the benefit of the underdog.

Croydon purchase

NORWICH UNION has paid £8m for an office scheme being developed by Wates in George Street, Croydon. The building is due for completion next year and will provide 40,000 sq ft net of offices. Norwich Union, represented by Edward Erdman, will take 25,000 sq ft and the remaining space is to be let.

● Modular Computer Services of Florida is the second large computer corporation to take space at the Wimpey Property—Legal and General Assurance Winnersh Triangle industrial park near Reading. Modular Computer Services follows in the footsteps of Hewlett Packard and will be taking 93,000 sq ft of office, assembly and warehousing space at £4 a sq ft. Late summer 1982 is the date for completion. Fletcher King acted for the developers and are joint letting agents with Weatherall Green and Smith.

● M. P. Kent has pre-let its 31,000 sq ft net office scheme at Norwich Street, Holborn to a firm of City solicitors. Completion is due in the spring of 1983 and, in keeping with Kent's policy, the building will in due course be sold on.

● The Royal Waterloo Hospital has been sold by Healey and Baker, on behalf of the south east Thames regional health authority, to Schiller International University, which provides courses for students from 40 different countries.

Agents criticised for poor response

THE CENTRAL London office market is suffering from an acute shortage of available space and agents have written off the chances of finding accommodation for any hopeful occupiers—that, at least, is the conclusion reached by one expanding business looking for new premises.

Namemakers, a fast-growing public relations consultancy based in New Oxford Street, has been looking for enlarged accommodation within striking distance of the centre of London and its attempts to enlist the aid of numerous estate agents have met with spectacular failure.

John Smith, a director of Namemakers, wrote to over a dozen central London agencies—large and small—at the beginning of August, outlining his company's requirements. The company set out its needs—around 3,000 sq ft of space in a period building, on a freehold or leasehold basis, and waited for the response.

The deafening silence was not expected. Wasn't the market weaker and hadn't he read that tenants looking for space should have a wider choice now than for some time? His flexibility over location should, surely, reduce the problem still further.

"I was amazed at the lack of reaction. I appreciate our requirements hardly rank alongside those of some organisations but if my business received a letter suggesting I could help a company, with the prospect of a fee or commission at the end of the day, then the very least I would do would be to pick up the telephone."

There are two sides to every story and several of the agents approached by Namemakers (to name only some would offend this column's sense of fair play) were quick to state their side of the case.

Some pointed out they did not deal in the size or type of property in question, while others emphasised that they tended to work for established clients rather than operate on an "applicant oriented" basis like many newcomers.

Several agents suggested that Mr Smith would have got further if he had made personal contact rater than sending off a standard letter.

Another said they could not afford to waste time on circular letters and one claimed that the letter could never have arrived as it constituted a nice inquiry which they would certainly have attempted to satisfy.

The last word to Mr Smith: "I may well not have approached the problem of finding new accommodation in the way the agents would have preferred, but is everyone supposed to know the rules? And is it too much to ask for a phone call or—heaven forbid—a standard letter explaining that they cannot help? Agents that able to contemplate the cost of a phone call can get Namemakers on 836 3261."

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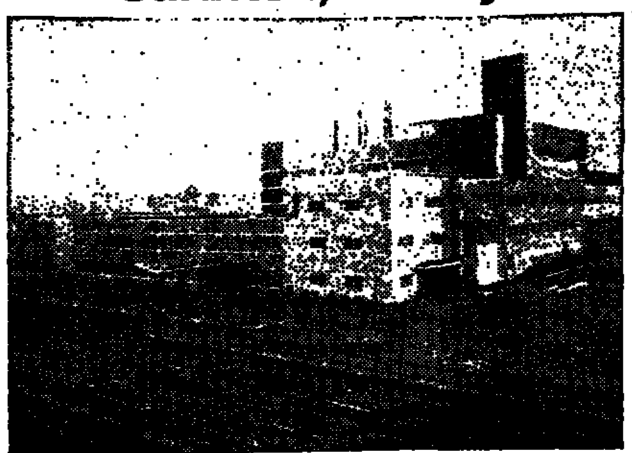

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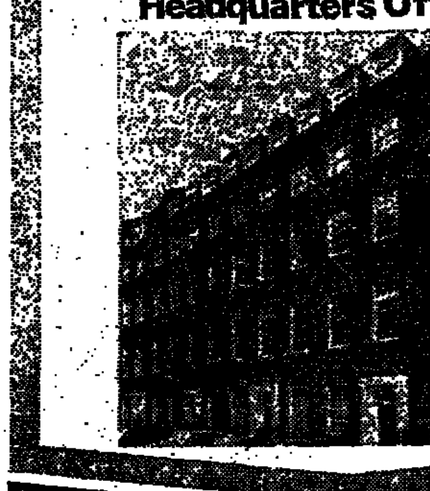

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A FINANCIAL TIMES SURVEY

INDUSTRIAL PROPERTY

MONDAY 5TH OCTOBER

The Financial Times is planning to publish a Survey on Industrial Property. The provisional editorial synopsis is set out below.

1. INTRODUCTION
   There are now more empty industrial premises on the market than even during the lowest point of the property crash. Rents for even new accommodation in many regions have seen very little increase since spring 1980. By comparison the market in the South East has remained relatively buoyant.
2. THE ECONOMY
3. INVESTMENT — THE INSTITUTIONS' VIEW
4. DEVELOPMENT
5. NURSERY UNITS
6. THE GOVERNMENT'S ROLE IN STIMULATING NEW INDUSTRIAL DEVELOPMENT
7. NEW TOWNS
8. INDUSTRIAL PROPERTY AROUND THE REGIONS:

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INTERNATIONAL PROPERTY

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TECHNOLOGY

EDITED BY ALAN CANE

AES twist to word processor

BY GEOFFREY CHARLISH

WHEN IS a word processor not a word processor? Answer: When it is a typewriter.

Or indeed, vice versa, because the bottom end of the screen-based stand-alone word processor market (the fastest growing segment) is now becoming so entwined with the top end of the intelligent typewriter business that new entry purchasers at this level could be excused for wondering if the definitions have now become outdated.

In a way, the rot began to set in when the typewriter majors, IBM, Olivetti and Olympia began to add one or two lines of electronic display to typewriters vested with some intelligence and memory.

Now, an interesting thrust has been made in the other direction by non-typewriter company AES with the announcement of a stand alone system housing, from top to bottom, typewriter carriage (a Qume daisywheel bi-directional unit), a 16 line display screen with diskette drives adjacent, and a typewriter keyboard with simple additional functional keypad. The basic price is just under £4,000 with the necessary software.

Screen-based

AES is, of course, a word processing company that since 1974 has pioneered a variety of screen-based systems up to the multi-terminal and shared logic level. It has installed [illegible] such systems world-wide and its sales exceed $150m in 1980.

AES believes that the only other company offering a system similar to its new development is Toshiba, with no availability yet in the UK.

It appears that AES is confronting the typewriter majors head on, not to mention other companies offering the so-called "thin window" equipments such as Olivetti, Rank Xerox and the UK Government-backed company Nexos. The new offering is dubbed Alphaplus and probably only with some reluctance is AES referring to it as typewriter rather than a word processor.

It is all very indicative of the way the market is going. AES marketing director Derek Groves, referring to the low end new entry segment admits: "We've only just scratched the surface" and he is convinced that the typewriter replacement market is the one that is about to blossom.

He makes the point that although there are perhaps 27,000 WP systems of all kinds installed in the UK (of which half are screen-based), there are no fewer than 1.5m typewriters in use, most of which, in the end, will be replaced by machines with memory and display/editing facilities.

Groves also sees the "computer" image of word processing as a sales stumbling-block, with the potential buyer put off by the jargon and the number of different boxes he has to instal.

The AES Alphaplus just looks like a typewriter, some*what taller than usual, with* a screen and one or two disc drives sandwiched between the typewriter carriage above and the keyboard below.

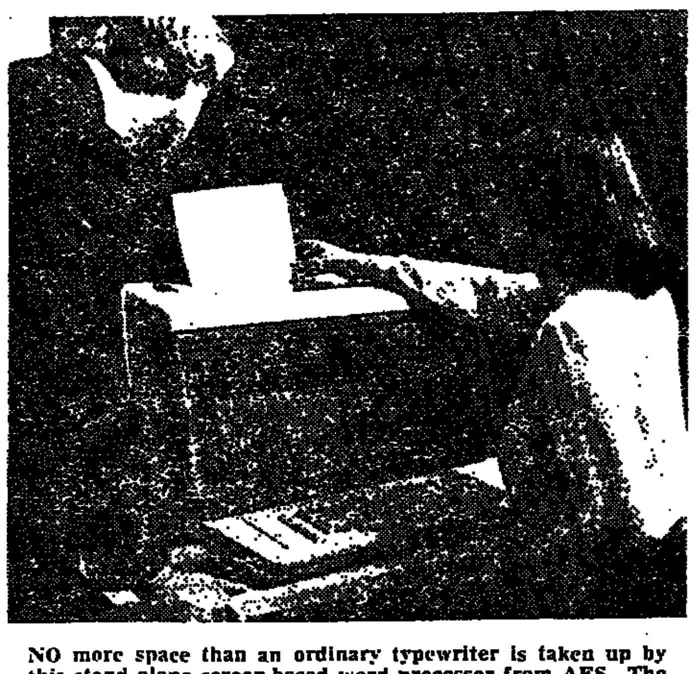
Industry cynics will probably argue that AES has done no more than build the printer into the word processor. AES, however, thinks it is an important step, mainly because the machine can when necessary be used as an ordinary typewriter. To proceed to word processing, a diskette program is simply loaded in—it takes no more than 20 seconds.

Two choices

The basic machine, Alphaplus 10, has a single diskette drive holding 30 pages of text and is used with a program package that offers most of the WP facilities including automatic centring, justification and underlining, insertion and deletion of anything from a character to a page, movement of lines or paragraphs.

Alphaplus 12 has two diskette drives with a choice of two rather more powerful software packages that provide such aids as listing (of addresses for example), repagination, line drawing, proportional printing and a facility that allows a specific piece of text to be searched for and replaced with another.

The video display can show 16 lines at a time (1,280 characters) from a total video storage of 8,000 characters. Vertical and horizontal scrolling is provided.



NO more space than an ordinary typewriter is taken up by this stand alone screen-based word processor from AES. The company has decided to refer to the new Alphaplus unit as a typewriter, not a word processor. It embodies the typewriter carriage mechanism on top with screen and disc stores below and keyboard at the bottom

There are one or two rather nice touches: for example, when used simply as a typewriter the carriage moves the paper up a few lines if the typist stops keying for more than four seconds — making it easier to see what has been typed. When she re-starts the carriage immediately rotates to the correct line.

When performing as a printer, the daisywheel unit works bi-directionally at 360 words/min at 10, 12 or 15 pitch and is able to print material while the operator is keying.

Derek Groves thinks there are now two ways of defining buyers in the word processing market in general. Those that know all about word processing and are past the basic entry stage, and those who don't and feel the need to move on from basic typewriters in the office. It is the second group he is chasing.

Apples do not grow on trees

BY ALAN CANE

"MICROFINESSE" IS the name of a financial planning system launched this week by the P-E Consulting Group.

It would not be fair to describe it as a "new" system because it is a version of P-E's tried and tested Finesse package, shrunk down until it fits a micro-computer—in this case, the Apple 11, one of the more popular U.S. machines.

Finesse, which runs on mainframe or minicomputers, has some 30 users in the UK, including Johnson Matthey in London. Mr J. C. Fitzpatrick, data processing manager for Johnson Matthey, says the company is well satisfied with the package and has used it for a number of important applications.

He is running it on a medium scale machine, a Honeywell minicomputer Level 6, and considers it a cheap package for the facilities available.

About £4,500

P-E prices the package running on a minicomputer at about £4,500. According to Mr Jan Szymarskiewicz of P-E, the facilities available on Microfinesse are little different to those available on the full mini version.

But Microfinesse costs only £595 plus VAT and plus the cost of the Apple computer system on which to run it.

The package carries out efficiently all those quite simple calculations which would, nevertheless, involve the burning of much midnight oil and much use of a pocket calculator.

It will show what happens to the profit and loss account if the cost of the product is increased, and it will print out a variety of business reports.

Nothing magic, but P-E can justify its £595 a time by the care and effort it has put into creating the package.

Packages like Microfinesse raise interesting questions about the way in which personal computer power will be delivered to the user in future.

At present, it runs only on the Apple and if you either do not like Apples (Mr Fitzpatrick, for example) or you have already bought another microcomputer, you will be locked out from the package.

Of course, it is only a matter of time before P-E develop versions of Microfinesse to run on other popular micros. Generally, however, progress in fully portable software—computer programs which can be moved from one manufacturer's machine to another without problems of compatibility—is slow.

*Micros may be cheap, but ex*ecutives such as finesse directors, (the target for P-E and its contemporaries) are hardly likely to line up a row of different micros on their desks to run their separate applications. Apples, after all, do not grow on trees.

Or do they? A couple of years ago, Control Data, which makes some of the biggest commercial computers, advanced the idea of the "application machine."

The idea was simply to exploit the new cheapness of microcomputer hardware and the economies of scale in customised semiconductor chips to produce "computers" to tackle specific applications. It envisaged, for example, a quantity surveyor's application machine and an actuary's application machine.

Mr Fred Hobbs, managing director of Control Data UK, said this week that the company was still investing substantial sums in the development of these machines.

Cheap function

They could be very cheap. Sinclair Research markets a computer at just over £50 and a printer at less than £50 which could handle the functions of an application machine.

So the choice could be between cheap single-function computers, more expensive but general - purpose microcomputers with portable software—or go to a computer bureau.

Scicon bureaux will shortly offer Finesse. At the moment the package is undergoing bench trials. P-E is on 0784 34411.

Bible for computer users

THE LATEST volume of the *Computer Users' Year Book*, regarded by many as indispensable to the data processing business was published this week.

Now stretching to more than 1,000 pages, exclusive of the directory of computer installations, the Year Book reveals that the average pay of senior computing professionals is now more than £10,000 a year and that the pay of dp staff increased by up to 21 per cent last year.

A new section details all important hardware and systems developments during the year.

It includes a complete guide to computers and peripherals, business equipment manufac[illegible] consultants, software houses and bureaux, together with sections on standards for computing and office automation and computer literature.

Professor David Barron of Southampton University has contributed sections on programming languages and operating systems. In the 1960s, he notes, "no computer scientist regarded his reputation as established until he had developed a new language."

Next week sees the first issue of a monthly magazine dealing entirely with IBM and its world, *The IBM User*.

The idea of a journal dealing solely with one company is probably unique to the computer industry where IBM holds over [illegible] of the market world wide.

Despite the obvious attraction of such a magazine to computer users, publishers have shied away from involvement for years, arguing that there was no certainty IBM would advertise and if it did not, who else would.

The first issue includes articles on the IBM Personal Computer, System/38 and CICS. CUYB on 0273 27667; IBM User on 01-359 8451.

..POINTERS..

Electric pump

MADE of chlorinated polyvinyl chloride to resist highly corrosive liquids in the temperature range −17 deg to +65 deg C, the S Series electric pump made by Johnson of Sweden and marketed in Britain by Crest Flowline has no bearings or seals. It requires no maintenance and performs reliably under the most severe conditions, says Crest.

It is also claimed that leakage of harmful or costly fluids is impossible and that the pump withstands dry-running. Available with capacities from 30 to 400 litres/min, it is made in both a standard version and a heavy-duty version where a special bearing arrangement protects the motor against fumes. More from 0202 874411.

Liquid levels

MERCURY MONITOR, a system developed for liquid level control by Switch Systems in the US, is now available from Gentech International, Grangestone Industrial Estate, Girvan, Ayrshire (Girvan 3581).

The instrument operates via a tilt sensitive mercury switch in a float and is claimed to be suitable for most liquids up to 59 deg C.

Auto doors

SAID TO cost about 75 per cent of similar imported systems is the British-made Rol-Trac fully assembled automatic door from Pennine Actuators, Elland Bridge, Elland, West Yorkshire.

Designed for the automatic opening and closing of sliding doors for airports, bus and rail terminals, supermarkets, hotels, offices, banks and similar prestige installations, it combines the company's pneumatic actuator system with a rigid aluminium track.

Supplied ready for immediate and simple installation, the user just drill-fixes the Rol-Trac to the wall, hangs the doors and plugs in the compressed air supply.

Cost savings

THE INHERENT strength of a new type of high density polyethylene film enables the use of very thin gauges and represents substantial cost savings says maker A. J. Bingley of Bristol.

It also promises better yield vapour barrier properties and strength, stiffness, water/temperature resistance than other low density films.

Bench models

AFTER the introduction of the Beckman hand held digital multimeter, the company has introduced two portable bench top models. The company says that the instruments will operate for 12,000 hours from standard alkaline batteries. Beckman is at 11, Wagon Lane, Sheldon, Birmingham (021 742 7761).

هكذا من الأصل

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LOREN

l to r: Oliver Brooks, managing director and head of finance; Lord Inchcape, chairman; and Richard Adams, chief executive

The crisis period

EVER since P & O gazed with alarm at its soaring debt a few years ago and began stripping it back, the group has been in the game of survival rather than growth. It has sold ships, valuable oil exploration interests, property and other assets in a determined attempt to protect itself from high interest rates and depressed conditions in many of its activities.

"Your board is now satisfied that the balance sheet is in good shape," said Lord Inchcape, the chairman, to shareholders in June.

Altogether, the asset sales brought in around £150m, but there was by no means full agreement among P & O's management as to which activities should be sold. The disposal just over two years ago of a 15 per cent share of the Beatrice oil field in the North Sea, for instance, is still viewed with varying degrees of scepticism in the City.

Along the way, the group also moved out of its imposing City headquarters to a more modest building, trimmed its staff, and underwent a much publicised boardroom reshuffle leading to the departure with a £77,000 golden handshake, of the former chief executive, Sandy Marshall, who had been with P & O for some 30 years.

The realisation that borrowings had got very much out of hand came near the end of what had already been a turbulent decade for P&O. In 1972, it planned to merge with Bovis, the property and construction group. Intense opposition from inside and outside the shipping company ended the scheme. Instead, P&O itself bought Bovis for a fraction of its merger valuation after it got into difficulties less than two years later when the property market collapsed.

Lord Inchcape had been a fervent opponent of the original merger. One of his staunchest allies was Marshall, an outgoing and strong-minded manager—he now heads the Bestobell engineering company.

By the time Marshall finally went in March 1979, his position had already been eroded. Six months previously, Lord Inchcape had taken over the role of chief executive as well as chairman after profits in the first half of 1978 had slumped from £27m before tax to barely more than £1m.

P&O's problem was that it had invested some £400m in new tonnage as shipping was about to move into depression.

P&O waited for matters to improve, but the shipping slump merely became deeper and wider. In 1974, it was tankers that began to suffer after the rapid rise in oil prices. The following year, dry bulk carriers were in trouble, while in 1978 and 1979 it was the turn of the liner (scheduled cargo services and refrigerated trades.

The problems were given uncomfortable emphasis by the 1978 profits slide of 57 per cent to just over £18m before tax. Borrowings also reached a dizzy peak in that year, hence the asset sales.

P & O rides rough seas to get back on an even keel

Andrew Fisher charts the troubled course of Britain's largest shipping group

FOR BRITAIN'S major shipping company to publicly question just how much it wants to stay in the industry is surprising to say the least. But this is what Lord Inchcape, the chairman of Peninsular and Oriental Steam Navigation, has done in front of shareholders for two years now.

As the alarming slide in first-half profits showed, shipping is a tough business in these times of trade recesion, high fuel prices, and costly finance. At a mere £729,000, the pre-tax figure announced this week was a pale shadow of the £12.9m earned in the same period of last year, though a good deal of ground should be made up in the second half.

Lord Inchcape first cast doubt on P & O's enthusiasm for shipping more than a year ago. At the June 1980 annual meeting he regretted there were some parts of the deep sea shipping market in which it was no longer possible for a publicly quoted UK shipping company to operat if it was to earn consistent profits from its ships.

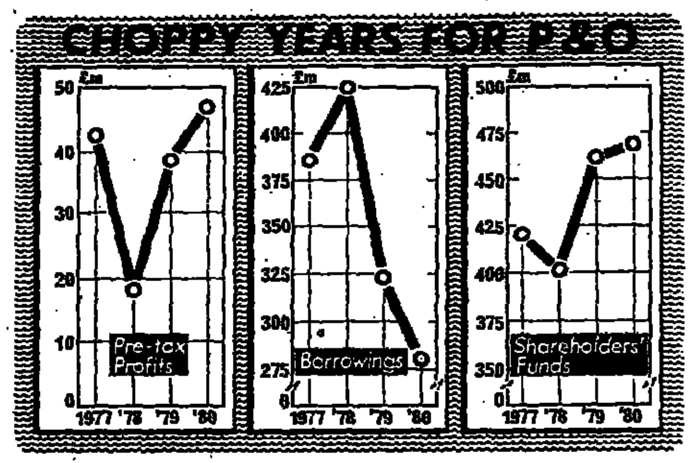
Thi year, he said the ame thing gain. But he wa rather more forthright when a persistent shareholder asked how P & O really saw the future, since it had no new ships on order.

"We now have considerable doubts as to what extent we should stay in shipping," said Lord Inchcape, whose family has long been associated with the development of P & O. "We are looking very carefully at this now and we have considerable doubts as to what extent we should commit large capital sums to shipping at the moment."

P & O is already well diversified outside shipping, with major profit contributions coming from such areas as construction and energy trading, property and banking. But its recent past has been bedevilled by the need to curb rapidly rising borrowings. As it has sold assets to bring down its debt, it has also scrutinised the type of returns coming from the different parts of its business.

The group has also been unfortunate in coming up against the full force of the UK recession just as it was curbing its debt. Thus, says Oliver Brooks, a managing director and head of finance, "we haven't had anything like the lift we had hoped for from interest rates." If rates were still at reduced 1978 levels, when borrowings were at their highest, last year's profits would have been much better.

As it was, the group lifted pre-tax profits by over 20 per cent last year to £47.1m (including £5.7m from ship sales), showing a further recovery after the dismal slide of 1978. In that year, P & O had had to report a £6.4m loss at the attributable level; the 1980 result was a £19m profit. But the sickly profit performance in this year's first half means profits will be well down on last year,



possibly around £25m before tax for the whole of 1981.

How P & O went about the tricky task of bringing down its debt without weakening the company is described in the accompanying article. This surgery is now over, though ship sales will continue, especially as further cargo routes are incorporated into OCL (Overseas Containers Ltd) in which P & O has a stake of just over 47 per cent.

P & O's concern now is to obtain enough of a return on shipping and other activities to justify further investment. "On the bottom line, we make virtually nothing on shipping," notes Brooks. Depreciation, interest charges and tax all take their toll. By far the biggest contributor to after-tax profits last year was P & O Falco, the U.S. energy trading subsidiary.

Energy accounted for around a fifth of trading profits of nearly £88m (before central expenses) last year, but the vulnerability of this side to President Reagan's decision to decontrol U.S. crude oil prices has been shown by the sharp fall in first half profits of Falco. This trend will also be reflected in the full year figures.

Elsewhere, the Bovis construction subsidiary has been performing well in difficult times, while P & O Ferries suffered from the costly cross-Channel price war and last year's decision to scrap the jetfoil service from London to Ostend after only seven months at a cost of £11m. It will recoup some money on this if Boeing buys back the craft under a clause in the contract; P & O is also seeing if it can sell them elsewhere.

The main reason cited for the declining profitability, and size of the UK fleet, is the high manning costs relative to other major shipping countries like Hong Kong and Greece. Earlier this year, industrial action by the National Union of Seamen gained them a 12 per cent pay award, a level which P & O and other companies feel will be damaging.

Hence the trend towards "flagging out" or putting vessels under cheaper open registry flags where crewing and other costs are lower. P & O has been trying to do this with four of its eight refrigerated cargo ships.

Because of the difficulty in the 1970s of making money in such areas of shipping as bulk carriers, tankers—from which it has substantially withdrawn—and offshore vessels, P & O went into higher technology sectors of shipping such as liquefied petroleum gas (LPG) ships, chemical carriers, and heavy lift ships.

It now has nine LPG vessels, five small older ones and four large ones bought from West Germany. The price of these four shot up from under $50m each to around $80m as the German currency strengthened in the 1970s while the LPG outlook worsened sharply. Now that the worst is over, P & O is making money on its LPG fleet but still does not regard the returns as high enough.

These should improve, however, as the result of a deal just signed with Exxon to ship LPG. This will give P & O extra revenues of at least $175m over five years and improve the profitable use of two or more of the newer ships.

Some City watchers of P & O feel it has become too used to closing things down and lacks new ideas. But Brooks rejects criticisms of this sort. He also defends the decision to shed an interest in the Beatrice oil field in the North Sea as part of its debt reducing strategy.

"Hindsight persuades us we were absolutely right," says Brooks of the Beatrice sale. "We know the cost of Beatrice has escalated. In the meantime, interest rates have gone infinitely higher." Also, higher North Sea taxation would have diminished the field's profitability, he adds. But P & O is extending its oil drilling interests in the U.S.

The desire of P & O is to bring its assets split, now about 60 per cent shipping and the rest diversified activities, into a roughly even balance, while at the same time boosting the bottom line profitability of its ships. It was already warning of lower first half results ahead of Wednesday's figures, but hopes of broadly maintained progress after tax for the whole of 1981 have now been dashed.

The dispute at Southampton, which particularly affected OCL, did not help shipping earnings. Nor are ferries exactly a bright spot at the moment, for any of the operators out of Britain. P & O is doing well on its cruises from the U.S. West Coast, from where it runs the bulk of its cruise activities. Cruising out of the UK, however, is flat.

Whether or not P & O has become jaundiced about shipping, there is no doubt that emotion plays a far smaller role in the industry than before. "There's romance in strictly limited parts of shipping for a British shipowner," comments Brooks, who is due to retire in just under two years. Also due for retirement in the not too distant future are Lord Inchcape himself and Richard Adams, the chief executive.

Lord Inchcape handed over the chief executive role to Adams earlier this year. He had become executive chairman in the difficult period of 1978 just before Sandy Marshall — the previous chief executive — left the group, with Lord Inchcape taking firm control over the programme of asset sales and changes in management style. Marshall had run P & O in a fairly centralised way with strong emphasis on planning and a large public relations staff.

In Lord Inchcape's view, line management should be let to get on with the job and be accoun[table] for their own decisions [—] what he calls "devolved ma[n]agement practised again[st] clearly stated strategic views[.]"

Now that P & O has more [or] less sorted out its debt proble[m] it is ready to look to the futur[e]. Adams has said it is not [an] essential aim for P & O to st[ay] the UK's largest shipping gro[up] —"we are trying not to ha[ve] sacred cows." he believes it mu[st] do more than "just provide [a] shell to carry things in" if [it] is to earn proper returns on [its] shipping assets.

Since its fleet is fai[rly] modern and expensive, su[ch] returns have been harder th[an] ever to win in recent years [of] trade slackness and soari[ng] costs. The first six months [of] 1981 were particularly tryi[ng]. But at least P & O intends [to] restore its planning departme[nt] axed three years ago when t[he] emphasis was on sheer surviv[al].

LOMBARD

Trade unions and incomes policy

BY ANATOLE KALETSKY

WITH every day that passes there appears to be more point in the nickname given by "moderate" Labour Party leaders to Mr Tony Benn's campaign to transform the Party and the trades union movement into organs of "rank and file democracy." They call Mr Benn's movement "The Children's Crusade," not so much because they believe that the motives behind it are as innocent as those of the shepherd boy Nicholas and his following of 30,000 children, who resolved to conquer Jerusalem by love instead of force. Rather they see the analogy in the Benn crusade's likely outcome—the 30,000 children, plus another group of 20,000-odd who came in their wake, were loaded on to ships by French and Italian merchants and promptly sold into slavery.

What nobody in the Labour Party, whether on the right, left or centre, can afford to admit aloud, is that the historical parallel can be taken further if the mantle of the shepherd boy Nicholas is placed on the shoulders of Messrs James Callaghan and Denis Healey, and if the role of the unscrupulous merchants is assumed not by the Tories or the Common Market or the international financial conspiracy, but by the trade union movement. For if anything has prevented the Labour Party from developing policies which are both coherent in practice and genuinely socialist in principle—in the sense of putting social and moral priorities above the materialistic goals of individuals or factions—then it is surely the Party's enslavement to the trade unions.

Painful

The Labour Party's shackles are most painful and embarrassing in the debate on whether any kind of incomes policy can be included in a socialist strategy for a planned economy (as if the answer were not obvious). Wednesday's debate at the TUC conference, for example, committed the TUC to "oppose pay restraint policies" from any Government, but also endorsed Mr Len Murray's statement that "all economic elements — including pay—have to be down for discussion" with a future Labour Government. What is a Labour Party that is wagged by its trade union tail to do in the face of such contradictory instructions?

But there is another problem, which will not simply go away if the Labour Party and trade union establishments manage to fend off the Bennite challenge. The unions have neither the organisations nor the constitutional arrangements for making considered and consistent decisions on issues of national and international politics which lie far outside their traditional sectional concerns as representatives of particular groups of workers. This in no way contradicts the fact that, as socialist organisations, the unions are bound to have passionate convictions on issues such as disarmament, macro-economic policy or education.

Illusory

It is because of the distinction between the unions' specific trade union role and the broader socialist goals which they share with many other individuals and social groups which have nothing whatsoever to do with trade unionism, that the socialist movement has to be represented in Britain, as in all other countries, by a socialist Party, and not simply by a parliamentary wing of the trade union movement.

The last Labour Government attempted to turn the Party into just this. It offered unions a (largely illusory) role in political decision making. Workers, who showed no signs of desiring a transfer of power to their unions, were expected automatically to accept whatever arbitrary degree of pay restraint the Chancellor could sell to their leaders in exchange for the power he offered.

The social contract's failure does not imply that all incomes policies are doomed. But it suggests that if political decisions are to be made about incomes, they must be the prerogative of Parliament.

And they must be accepted and endorsed not by union leaders or union conferences, but by the electorate as a whole when it voted for the economic and social programme of a new government.

How the unbanked borrow money

BY ANTHONY MORETON

THE SECOND article on providing finance for the lower-income groups looks at the loan-makers.

AROUND BRITAIN

HUDDERSFIELD

PROBABLY HALF the families in this country do not have a bank account. Since most of these are in the lower-income groups, who are generally paid weekly in cash rather than monthly by cheque, they face difficulties when they need to borrow money.

Hire purchase has, of course, been an inestimable boon to the weekly-paid worker who wants to acquire a carpet, a settee or a fridge. But there are other means, not all of them legal.

In many northern areas, especially, "Auntie Daisy," or whatever her name in a particular area happened to be, was always good for a couple of pounds on a Friday night. She would sit in the corner of a pub lending money, which would be returned next pay day. Then, there were pawnbrokers, savings clubs, the co-operative societies with their dividend stamps and the like.

There were also, and remain to this day, money-lending concerns. London and Scottish Finance Company, is one of these. Through its subsidiary, Refuge Lending Society, it makes loans of between £100 and £1,000.

Colin Spence is the 43-year-old North of England regional director for London and Scottish. He explains that the company is primarily in the lending business.

It may be thought by those living in the southern half of Britain that lending cash through a transaction in someone's front room is a peculiarly Northern habit.

In fact, London and Scottish is a national company with two separate operating arms: Refuge, which makes loans; and Robinson Way, which collects debts. It has recently appointed a director to cover the South-West of England.

It fulfils a need that the banks are failing to cater for. It lends cash because most of its clients have no bank accounts and most are blue-collar workers. Everything is unsecured. Consequently, the assessment made by its managers is crucial.

Most of its lending is to finance holidays, for children's clothes, *home improvements or* a one-off purchase such as a motor bike. But the company does not always know for sure where the money goes because a lot of people say "holiday" when asked what the loan is for. It is a convenient answer.

London and Scottish knows though, that holidays are important because the two big lending peaks during the year are in late June to early July and just before Christmas.

Although the manager's assessment of a potential client is vital, the company does not make a loan completely blind. When it receives an application for a loan, it runs a credit reference check before arranging a visit. Then, during the course of the interview and filling in an application form, it can assess the client from many of the answers.

When a loan is sought, the manager likes to see wage slips, rent books, some evidence of living in one place. He looks for a good credit history (that is, previous borrowing and regular repaying: it is easier to make a loan to someone who has previously borrowed than to someone who has had no borrowing history) and stability—in a job, in a house. If the applicant is married or living with someone, the manager tries to see both parties.

"We look for tell-tale warning signs," Colin Spence says. "*Smells.* Broken windows. Paper on the windows in place of curtains. Scruffy gardens."

Having approved the client, cash is promptly paid out. And then, it is collected back regularly every Friday night or Saturday morning.

There have been allegations that some money-lenders have been charging too much for this lending. The rate of interest is certainly high; Refuge charges a flat rate of between 30 and 32 per cent for cash loans. But the cost of making and collecting a loan is high, as the Office of Fair Trading acknowledges with a personal visit involved every time.

However, the borrower really does not worry too much about the rate of interest. He or she knows such a loan cannot be obtained from more conventional source. What matters is the amount that has to be paid back each week. This is the crucial factor in determining the amount of a loan on the housing estates and back streets of industrial Britain.

One of the problems that London and Scottish faces is that its employees carry money. It has been known for a collector to "vanish"; the company then prosecutes.

Another possibility is mugging. Collectors come round at a fairly set time at the weekend.

Of course, they take precautions. But, as Spence says: "I would never go up a tower block of flats in a lift. Indeed, we tend to stay out of multi-storey blocks.

"We do get the occasional mugging. One collector lost £20 in a block of flats in Liverpool. Liverpool 8—which includes Toxteth—has always been a difficult area and we can't find collectors easily for that part. Central Glasgow is another. But we don't have 'no-go' areas."

"Actually, I need a loan—crime isn't paying at the moment."

Although London and Scottish does not practise "red lining," its prevalence has sufficiently concerned the Government for it to be referred to the Office of Fair Trading.

Red lining is the practice whereby a company finds it has one or two bad payers, or an area containing, for instance, a number of tower blocks of flats, draws a red line in ink around them and refuses credit to everyone living within the red line.

The collectors do not encounter doorstep violence. According to Spence: "Unless there is trust between us and the borrower or debtor, we shall never get anything out of them. Everything we earn is commission, and so it is in our financial interest, if for no other reason, to be pleasant to the people with whom we are dealing."

Still, mishaps do occur. Denis Buckley, the regional manager covering Huddersfield, was once threatened by a man with a double-barrelled shotgun. "His eyes were rolling round wildly. I was terrified. But I had collected at that house for years. So I gently pushed the gun to one side.

"I discovered that I was the last of a number of collectors that evening and the previous ones had given him a rough ride. Anyway, he paid me."

Buckley smiled, like a Mountie who has got his man.

Condessa for Park Hill Stakes

RACING

BY DOMINIC WIGAN

THERE HAVE been few bigger post war fields for the Park Hill Stakes than today's 13 for the group two, a fillies event.

However it cannot be said that the race has brought together a high class collection of second season fillies. It is understandable that Jim Bolger has decided to saddle Condessa.

The remarkable Irish filly, making her 17th race course appearance here, clearly reserves her best displays for Yorkshire racegoers. Condessa was responsible for one of the season's most notable turn ups when she beat Madame Gay and Fairy Footsteps pointless in York's Musidora Stakes.

She put up an equally fine effort in the Yorkshire Oaks, the race in which Willie Carson received his serious head and back injuries. She was at the rear of the field in the early stages and did exceptionally well to get up a stride before the line to beat Leap Lively—especially after being carried wide on the turn into the home straight.

Condessa, who reportedly changed hands for over $500,000 after the Musidora, will take her chance against Shergar and company in tomorrow's St Leger if she comes through today's race to Bolger's satisfaction.

She is taken to score at the chief expense of the only course winner in the line up, Canton Lightning.

Half an hour before the big fillies race, seven three year old fillies contest the Starbird Stakes for which the Daily Star has given £5,000. Backers may be best advised to take another chance with Doobie Do; a two year old not far behind the best. Michael Stoute's filly retains her form well and will find few better opportunities.

Turning to Goodwood, Robellino is preferred to Ring The Bell, the New Zealand Derby winner, in the Crown of Crown Stakes. This is Ring The Bell's racecourse debut in this country.

DONCASTER

2.00—Hyjill
2.30—Doobie Do
3.00—Condessa**
3.30—Crested Lark
4.05—Toujours Vert*
4.35—Swinging Rebel***

GOODWOOD

2.00—Hollow Heart
2.30—Robellino
3.00—Believer

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 12.30 pm News After Noon. 12.57 Regional News for England (except London): London and South-East only: Financial Report, and News Headlines with sub-titles. 1.45-2.00 Chigley. 3.45 Ymryson Cwn Defaid. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 The Space Sentinels. 5.05 Rentaghost. 5.35 Roobarb.

5.40 News.
6.00 Regional News Magazines.
6.22 Nationwide.
6.45 Sportswide.
7.00 The Knockout Championship 1981.
8.15 Athletics from Crystal Palace.
8.50 Points of View.
9.00 News.
9.25 Knots Landing.
10.15 Face the Music (London and South-East only).
10.45 News Headlines.
10.50 Athletics from Crystal Palace.
11.15 The Late Film: "The Grissom Gang."

All Regions as BBC 1 except as follows:—

Cymru/Wales — 12.57-1.00 pm News of Wales. 1.45-2.00 Bys A Bawd. 5.05 Paddington. 5.10-5.35 Un Noson Dywyll. 6.00-6.22 Wales Today. 7.00 Heddiw. 7.25-8.15 Yn Llefaru Eto? 10.15 Western Welsh. 10.45-10.50 News for Wales, National News.

Scotland—12.55-1.00 pm The Scottish News. 6.00-6.22 Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.50 News for Scotland, National News.

Northern Ireland — 12.57-1.00 pm Northern Ireland News. 4.18-4.20 Northern Ireland News. 6.00-6.22 Scene Around Six. 10.15 Make Mine Country. 10.45-10.50 News for Northern Ireland, National News. 1.25 am News and Weather for Northern Ireland.

England—6.00-6.22 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Nationwide (London and South-East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 10.15-10.45 East (Norwich) Weekend; Midlands (Birmingham) Dennis McCarthy's Weekly Echo; North (Leeds) The Lancaster Legend; North-East (Newcastle) The Northern Image; North-West (Manchester) Home Ground; South (Southampton). The Schneider Trophy; South-West (Plymouth) That's Rich; West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
11.25-12.30 pm Trades Union Congress.
1.45-3.45 Racing from Goodwood.
4.50 Open University.
6.55 News Summary.
7.00 Cartoon Two.
7.10 Swimming: European Championships from Split.
7.45 Gardeners' World.
8.10 Town For Sale.
9.00 Romer's Egypt.
9.40 Echoes of War: "The Brylcreem Boys" by Peter Durrant.
10.55 Newsnight.
11.40 Bullseye.
†12.25 am Laurel and Hardy in "Live Ghost."

LONDON

9.30 am The Bubblies. 9.35 Predators of the Sea. 11.05 Bracken. 12.00 A Handful of Songs. 12.10 pm Once Upon a Time. 12.30 Women Rule OK. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Houseparty. 2.25 Racing from Doncaster. 3.45 Looks Familiar. 4.15 Bugs Bunny. 4.20 Storybook International. 4.45 Ad Lib. 5.15 Sale of the Century.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 The Amazing Spider-man.
8.00 Roots.
8.30 Kinvig.
9.00 Stay With Me Till Morning.
10.00 News.
10.30 Soap.
11.00 Starting Out: an inquiry into London's schools.
11.45 SWAT.
12.40 am Close: Personal Choice with Canon Trevor Beeson.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 am Larry the Lamb. 9.40 Friends of My Friends. 10.05 Young Ramsay. 10.55 Cartoon Time. 11.10 Pro-Celebrity Darts. 11.40 Razzmatazz. 1.20 pm Anglia News. 5.15 Bygones. 6.00 About Anglia. 10.30 Side By Side By Swinfield. 11.00 Anglia Late News. †11.05 Friday Late Film: "King Rat," starring George Segal, Tom Courtenay and James Fox. 1.40 am Christians In Action.

ATV

9.45 am Something Different. 10.00 The Wild, Wild World of Animals. 10.20 George Hamilton IV. 10.45 In Focus. 11.15 In Search of . . . : Swamp Monster. 11.40 Razzmatazz. 1.20 pm ATV News. 6.00 ATV Today, including ATV Sport. 10.30 WKRP in Cincinnati. 11.00 ATV News. 11.05 Case For The Defence.

BORDER

9.35 am Larry the Lamb. 9.45 Sesame Street. 10.45 Bailey's Bird. 11.10 Survival. 11.40 Razzmatazz. 1.20 pm Border News. 6.00 Lookaround Friday. *6.30 Enterprise. 10.30 Your MP.* 11.00 Soap. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 6.00 Channel Report. 6.10 The Puppy's Greatest Adventure. 6.30 The Lost Islands. 10.28 Channel Late News. 10.32 Target the Impossible. †11.05 Late Night Movie: "Never Let Go." 12.40 am News and Weather in French.

GRAMPIAN

9.50 am First Thing. 9.55 Feature Film: "How To Break Up A Happy Divorce," starring Barbara Eden. 11.00 Story Hour. 11.40 Razzmatazz. 1.20 pm North News. 6.00 North Tonight including Sports Desk. 10.30 Feature Film: "Someone Is Bleeding," starring Alain Delon. 12.25 am North Headlines.

GRANADA

9.30 am A Big Country. 10.00 European Folk Tales. 10.10 Razzmatazz. 10.30 Comic Stories. 10.35 The Flying Kiwi. 11.00 Sesame Street. 1.20 pm Granada Reports. 6.00 Granada Reports. 6.30 Kick Off. 10.30 Union World. 11.00 The Late Film: Marlon Brando in "Candy."

HTV

9.50 am Razzmatazz. 10.10 Beachcombers. 10.35 The Entertainers. 11.00 Sesame Street. 1.20 pm HTV News. 6.00 Report West. 6.30 The THF World Freestyle Disco Championship. 10.28 HTV News. 10.30 Report Extra. 11.00 "The Lovers," starring Richard Beckinsale and Paula Wilcox.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.45 Llygad Yr Octopws (Pt. 2). 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.00 Outlook.

SCOTTISH

9.55 am Portrait of a Village. 10.20 Finnish Nature. 10.30 Young Ramsay. 11.20 Pro-Celebrity Snooker. 1.20 pm News and Road and Weather. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 10.30 Late Call. 10.35 Golfing Greats —Lee Trevino. 11.05 Friday Night Thriller: "Anatomy Of Fear."

SOUTHERN

9.35 am Afloat. 10.00 The Lost Islands. 10.25 Story Hour. 11.20 European Folk Tales. 11.40 Razzmatazz. 1.20 pm Southern News. 6.00 Day By Day. 6.00 Scene South-East (South-East Area only). 6.30 Survival. 10.30 End of Part One. 11.00 "Candy," starring Marlon Brando.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 9.30 The History of the Motor Car. 9.50 George Hamilton IV. 10.15 Bailey's Bird. 10.35 Sesame Street. 11.40 Razzmatazz. 1.20 pm North-East News and Lookaround. 5.15 That's Hollywood. 6.00 North-East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North-East News. 10.32 Film of the Week: "Nobody Runs Forever," starring Rod Taylor and Christopher Plummer. 12.25 am Countryside Christian.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 6.00 Good Evening Ulster. 6.30 Here's Boomer. 10.29 Ulster Weather. 10.30 Witness. 10.35 Lou Grant. 11.35 Bedtime.

WESTWARD

9.35 am Sesame Street. 10.35 Vicky the Viking. 11.00 Four Questions About Art. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 Western Approach. †11.05 Late Night Movie: "Never Let Go," starring Peter Sellers. 12.40 am Faith For Life. 12.45 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 The Amazing Years of Cinema. 10.05 Young Ramsay. 11.00 Razzmatazz. 11.25 Welcome Back Kotter. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 10.30 Benson. 11.00 Hagen.

(S) Stereophonic broadcast
‡ Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable with Richard Skinner. 7.30 Anne Nightingale. 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S), including Racing from Doncaster (2.00 Park Hill Stakes). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 Don Durbridge with Much More Music (S). 8.00 Take Your Partners at the Radio 2 Ballroom (S). 8.45 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.00 Keep It Maclean. 10.30 The Bing Crosby Show. 11.02 Sports Desk. 11.15 Peter Clayton with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Martinu (S). 10.00 Cello Sonatas (S). 11.00 Bach harpsichord recital (S). 11.25 Music for Tenor and Violin (S). 12.00 Scottish National Orchestra Concert: part 1 (S). 1.00 News. 1.05 Concert: part 2 (S). 1.50 Guitar and harpsichord recital (S). 2.30 Piano Duets by Mozart and Schubert (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Mendelssohn Octet in E flat (S). 7.30 Proms '81, part 1: Haydn (S). 8.00 Jerome K. Jerome. 8.20 Proms '81, part 2: Beethoven (S). 9.45 Sviatoslav Richter plays Bach (S). 10.00 Beckett and Company: A critical biography of Samuel Beckett by Christopher Ricks. 11.00 News. 11.05-11.15 Sibelius (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.35 am.

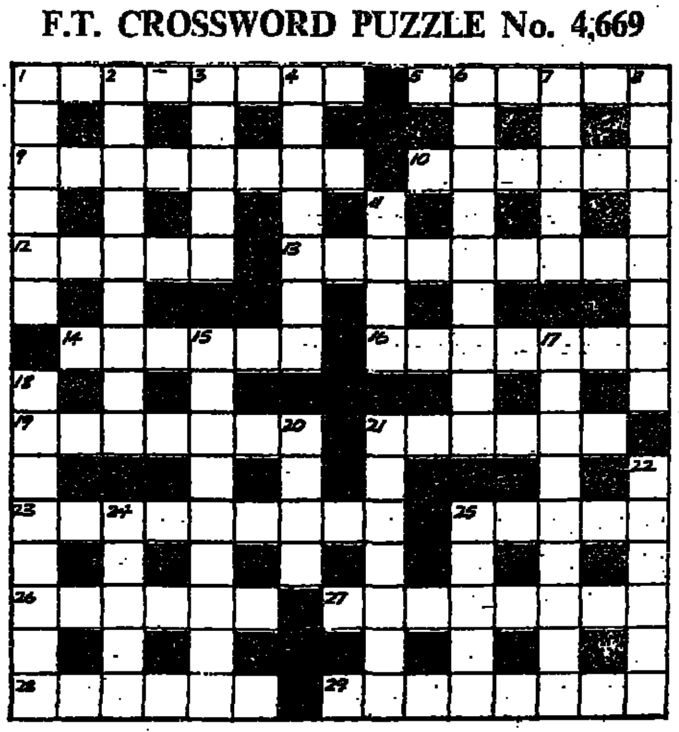
RADIO 4

5.00 am News Briefing. 6.10 Farming Today. 6.30 Today. 8.45 Grahame Greene Short Stories. 8.59 Continental Travel Information. 9.00 News. 9.05 Desert Island Discs (S). 9.45 The Memoirs of J. K. Galbraith. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The University Business. 11.50 Natural Selection. 12.00 News. 12.02 pm You and Yours. 12.27 The Year in Question. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour from Cardiff. 3.00 News. 3.02 Afternoon Theatre. 4.05 Weigh-in. 4.15 Morality. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 On Rising Before Day. 11.45 Friday Treat with Dilly Barlow. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 MMM . . . Maitland's Midday Music. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 This Week. 7.03 Black Londoners. 8.00 As Radio 1. 10.00-5.00 am Join Radio 2.

F.T. CROSSWORD PUZZLE No. 4,669



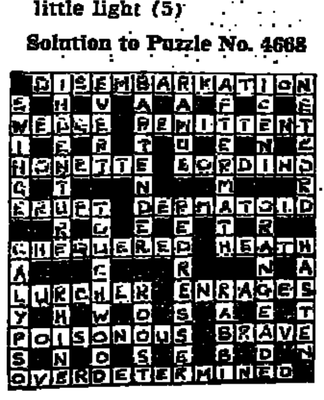
ACROSS

1 Urge one convict to return like the repentant sinner (8)
5 Here we have articles about the ancient goddess (6)
9 Pedigrees are an imposition around this time (8)
10 A runner with politicians acts imperfectly (6)
12 Turn at the sound of disapproval with a curse (5)
13 High church suggestion in Essex (9)
14 Customs for the wise among us (6)
16 Exhibitionist proved to possess a degree (7)
19 See her among the crowd of lady-killers (7)
21 "Full on this casement shone the — moon" (Keats) (6)
23 Give little 21 down a wash—it's essential before we sail (5,4)
25 Heath returns to opera (5)
26 One doctor has information for an old princess (6)
27 Premiss I somehow scorn (8)
28 Final exam for V.I.P.s (6)
29 Met Green in trouble on the way out (8)

DOWN

1 Good but unpunctual governor (6)
2 Doctor rises with points on the employment of public transport (9)
3 State of girl expressing surprise (5)
4 A beauty Queen includes the oriental ways of approach (7)
6 Humbled, like the words of a dictator (5,4)
7 The worker came face to face with me on the way up (5)
8 Out-of-place competitors (4-4)
11 This way up to the morning Bible portion (4)
15 Open space for the Karate expert? (5,4)
17 The era of the gospel makes no progress (5,4)
18 Tasting chastisement (8)
20 "Like a stately — of Tarsus" (Milton) (4)
21 Norman has to leave before one in the morning (7)
22 Money for nearly everyone under canvas (6)
24 Cut off in the same direction—to Gretna? (5)
25 To record right we need a little light (5)

Solution to Puzzle No. 4,668



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THE ARTS

Cinema

And so to bed by GEOFF BROWN

Oblomov (U) Paris Pullman
The Milky Way (A) Camden Plaza
Stripes (AA) Classic Haymarket
Two Stage Sisters (AA) ICA
Cambridge Animation Festival

Several Days in the Life of I. I. Oblomov, reads the full title of the splendid, endearing Russian film Oblomov, adapted from Ivan Goncharov's nineteenth-century novel and directed by Nikita Mikhalkov (theatregoers may remember a riotous stage version in 1964 with Spike Milligan). They are days—indeed months and years—spent largely in exquisite indolence, lightly tinged with philosophical melancholy; days spent largely in bed. Ilya Ilyich Oblomov, after early retirement from the civil service (he is in his mid-thirties), simply sleeps and eats, dreaming of his happy childhood and endlessly procrastinating over plans for putting his estate in order. This curious life is lived in the company of equally curious friends and employees. His irascible, incompetent servant Zakhar staggers about trying to wake his master and carry trays without the contents falling off; one Ivan Alexeyev pursues Oblomov with dog-like devotion from residence to residence, while Andrei Stolz, an even more devoted friend, forever tries to push his comrade into his own world of business, health food and early morning saunas. But it is left to a lady—the young, entrancing Olga—to shake off at least some of Oblomov's dull sloth, though his timidity inevitably makes their relationship inconclusive.

In the wrong hands this could be sweetly sentimental material—a cloying celebration of Oblomov's simple-hearted Russian soul and benign eccentricities. But Nikita Mikhalkov, one of the most successful of Russia's younger directors, is clearly the right person for the job. His 1977 version of Chekhov's *Platonov*, entitled *Unfinished Piece for Mechanical Piano*, proved he could film a literary classic without embalming it (a perennial hazard of prestige film-making in Communist countries), and Oblomov radiates with a carefully judged atmosphere of elegiac comedy; the performances, too, are beautifully rounded.

Mikhalkov's camera probes the hero's dark, dusty St. Petersburg apartment with elegant curiosity, savouring the quirky humanity of Gorcharov's characters. In the second half, devoted to Oblomov's romance with Olga, claustrophobic interiors give way to the sunny, leafy parkland around Olga's residence, but the characters still seem comically hemmed in by the protocol of Russian protocol society and the dictates of the human heart. Oleg Tabakov's performance as Oblomov matches the direction in subtlety; his figure is properly pear-shaped, while his facial expressions dart from lugubrious frowns to beatific grins with the speed and beauty of a clown. The only real drawback to the production is its extended length. Oblomov was originally devised as a two-part film, but both parts have been brought together by its British distributors, giving a total running time of 140 minutes. Oblomov himself would certainly have regarded this as excessive and dozed off in the back row.

One of the best moments in Bunuel's 1968 production *La Voie Lactée* (*The Milky Way*) occurs during the school fête attended by its two itinerant heroes hitching their way to the shrine of Santiago di Compostella in Spain. One of them is troubled by recurring visual flashes of armed revolutionaries preparing to shoot a suspiciously papal figure; the eventual sound of gunfire is picked up his by neighbour at fête, who wonders if there's a shooting range nearby. "No," he replies, "it's me imagining they were shooting the Pope." Dismissive laughter follows. In the years following the film's British release the Pope has indeed been shot; the original distributor has gone out of business, along with the two London cinemas the film played in. On the brighter side, Bunuel has made four more films, all of them considerably better than *La Voie Lactée*. But it is good to have this revival: Bunuel is an undoubted master, and even his lesser achievements deserve attention.

In the Bunuel filmography *La Voie Lactée* comes between *Belle de Jour* and *Tristana*, two of the cinema's most sublime studies in the curious corners of the human heart. But here the subject is the human mind—specifically, man's thinking on matters of Catholic doctrine. Six major doctrinal points are illustrated, along with their attendant heresies: transubstantiation, the origins of evil, the rival claims of grace and free will, the Trinity, the Immaculate Conception of the Virgin Mary and the dual nature of Christ. A concluding title proudly claims that all arguments have been scrupulously culled from the best religious sources. Fortunately their visual embodiment is less orthodox: these points of dogma tumble from the mouths of a Surrealist kaleidoscope of characters past and present, historical and invented, juxtaposed by the director with his customary cool precision. The Marquis de Sade, the Devil, the Virgin Mary and Christ Himself jostle for position with police captains, army officers, escaped lunatics and urbane head waiters who dispense theology while disposing of mildewed fruit and recommending oysters. But overall the film lacks the kind of imaginative leap that made the sound of gunfire travel from one man's thoughts to another man's ears; too many of the scholarly jests that plainly amuse Bunuel remain inside the director's head and never reach the audience at all.

Audiences in the States at least had no trouble appreciating the jokes in *Stripes*, a raucous army farce made by members of the team responsible for *National Lampoon's Animal House* and *Meatballs*. Given a cinema full of happy, tipsy customers, the film might still repeat its American success, though it would take more than one spiked Kia-Ora to win over this reviewer. The problem lies not with its basic plot, which is average and old-fashioned enough to prompt memories of Abbott and Costellos' *Buck Privates* from 1941 (two new army recruits, patently unsuitable material, pull through their basic training with honour). But some of the comic business inserted into the structure is lamentably crass, and the concluding battle between a contingent of dour Russians patrolling Czechoslovakia and a rogue American force equipped with a new, deadly "urban assault vehicle" is not the kind of comedy to enhance the prospects of world survival.

A brief word of commendation for the Chinese film *Two Stage Sisters*, on show at the ICA throughout September. I previously wrote about its attractions 12 months ago when it was included in the National Film Theatre's innovative Chinese season and a printing error changed its title to *Two Sage Sisters*. Wisdom, indeed, plays a key part in this stylish film of 1964, which asks us to ponder on the relative philosophies of its two heroines, who start together in poverty only to follow divergent paths (one leads to luxurious corruption, the other to revolutionary theatre). The acting throughout is of such delicacy that the pitfalls of schematic propaganda are avoided; the director Xie Jin shows equal sensitivity in his stylish handling of the camera.

Finally, more brief words about the Cambridge Animation Festival, which runs from September 15 to 20 at the Arts Cinema, though selections from its programmes may also be seen at London's Scala Cinema over the weekend of September 26 and 27. It's a real pleasure to see this festival alive and kicking after being taken for dead throughout most of the 'seventies, and this year's special focus on jazz in animation is guaranteed to provide lively viewing. There are seven programmes surveying the varied use of jazz by Hollywood studios and independent artists like John Hubley; other shows present recent animation from Britain, Poland, Italy and Canada. Tickets and information may be obtained from the Festival Office at 10 City Road, Cambridge (telephone 0223 311639).

Oleg Tabakov

Young Vic

Equus

by ROSALIND CARNE

Peter Shaffer's homage to magnificence is a bold choice for a company of deaf actors. The visual glories of the ritualised beast are heavily weighted by the impassioned lyricism of the language. Moreover, there are long stretches of prosaic dialogue between the psychiatrist Martin Dysart and his friend and colleague Hesther Salomon.

In this production by Interim Theatre Company, black clad figures speak for the principal characters. They are silent, using an eloquent sign language which is surprisingly comprehensible and a delight to behold.

The exception is Lewis Merkin who both speaks and gestures his way through Alan Strang's bizarre pilgrimage. He is a truly remarkable actor with a unique vocal quality. The climactic scene with Jill in the stable transmits all the fervour of a terrible sacrilege and his ghastly concluding deed is fearfully justified.

Ian Chandler as Dysart lacks his power and his final surrender to the equine deity feels flat and disappointing. His concentration on the sign language partially detracts from his other movements. This is also true of Alan's father and mother. Only Merkin is entirely convincing, but the conviction is such to carry the play.

Director Patrick Lau actually learnt the sign language in order to work with the company, as did three other players in minor roles. Following the success of *Children of a Lesser God* at the Mermaid, there is considerable interest in deaf theatre. For those who can hear, it can be frustrating at times to watch a piece designed for two audiences. It is also curiously engaging.

The horse masks and foot pieces are from the original 1973 National Theatre production. All the beasts exude a superb majesty, especially Tony Tong's Nugget.

Lewis Merkin

Trio Zingara wins Munich competition

The young British ensemble, Trio Zingara (Sophie Langdon—violin, Susan Dorey—cello, Annette Cole—piano) were winners of the 30th International Music Competition in Munich last week.

Warehouse

Good by MICHAEL COVENEY

I gather that in Berlin not just the thugs but also the trendies are coming to love the Nazis. Tickets are hot for Peter Zadek's seven-hour fascist spectacle and a new generation is coming to adore the uniform. Albert Speer, apparently, was a good bloke after all. This is all rather a far cry from "Springtime for Hitler" in Mel Brooks's film. And C. P. Taylor's new play for the RSC about a dithering intellectual working himself up into an equivocal lather about joining the SS is different again. Or is it?

There must be little danger of Warehouse audiences taking the Mitford line on how reasonable and even seductive was young Adolf, but the danger is there none the less. Taylor sets out to show how Halder, a novelist and Goethe specialist, falls for the music of the period in every sense of the word. As a Jewish Marxist himself, the playwright surely cannot be saying it could happen to any one of us.

Alan Howard as Halder takes the bare stage while a quintet plays a cafe tune against a peeling yellow back wall. As the play unravels you realise that it is Halder's subtlety of thought that lands him in trouble. Howard peers balefully around, and starts to talk about himself in a desiccated lower register. He moves on to his mother, his wife, his girl friend and his work. His confessor is a Jewish doctor, not too keen on Jews himself — except for family, and the subject switches to the racialist programme. The period before the war comes alive through snatches of music — Tauber songs, Bavarian yodelling, Wagner and Beethoven, led from the piano by Nigel Hess (no relation). Howard slips up a gear as he describes the allure of the marble hall at the National Socialist headquarters.

Any trace of ambiguity in the play is at last crushingly despatched with Halder's instruction to the doctor to allow his helpless and incontinent mother to die as humanely as possible — make her think it's a bath. At this point the private and public worlds of the play are irrevocably matched and the hero's arguments flail around among such appalling caveats as perhaps the Jews had only themselves to blame and why not just accept the world as it is. Halder slowly dons fully Nazi regalia and recounts his arrival at Auschwitz where he is greeted by prisoners playing a Schubert march. He promises a little wild flower that it will soon have the place to itself.

Howard Davies's production is a model of clarity and restraint, eliciting a really fine performance from Alan Howard who commands attention with the slightest flick — whether accepting a chair with a hint of a double-take on [illegible] or absent-mindedly brushing a hair from his pullover. [illegible] is the Jewish doctor and an excellent supporting company includes Dominic Blythe, Pip Miller, Barbara Kinghorn, and Chris Hunter.

Exhibition of Early Musical Instruments

The fifth London Exhibition of Early Musical Instruments will be held from October 1 to 3 at the New Horticultural Hall, Westminster (10.00 am to 6 pm; admision £1.20).

Drury Lane

Secret Policeman's Other Ball

Wednesday's late-night gala in aid of Amnesty International raised, John Cleese told us in a prelude, £17,650. When the audience had stopped clapping themselves, he suggested that if everyone had been as generous as the people in the front stalls and paid £12.50 the figure would have been trebled. Did not those cheapskates in the upper circle know that people were dying behind bars (or at least leaning on them) all over the world? How dare they? Alan Bennett stepped forward and opined angrily that he would not be at all surprised to learn that some of them were Social Democrats. Rowan Atkinson said it was the people who always bought the second cheapest seats that got up his nose. Like people in restaurants who eschew the house plonk in favour of the second cheapest wine.

This was a splendid opening to a very enjoyable show (there are two more, tonight and tomorrow). Revue style has changed rapidly over the last few years, but it is good to see John Fortune and John Bird holding their own, so to speak, against the more aggressive claims of Chris Langham and Alexei Sayle. The latter I had never seen before. He makes Steven Berkoff sound like *Jackanory*. A huge, shaven-haired lunatic, Sayle deals in abusive social comment and sustained obscenity.

Unlike Rowan Atkinson, this boy will never be on television. And if he ever is, he won't be worth watching any more. Atkinson did his conducting sketch and interviewed John Cleese on the subject of bees, spoiling Cleese's dull concentration with a barrage of involuntary belches and quacks before running violently round the studio at the mention of the word "interviewer." Denis Thatcher (alias John Wells) popped by from the Whitehall Theatre, glass in hand, to address an annual dinner for mentally r e t a r d e d rugby referees. What was going on in this country? He had been virtually unemployed for years, and the experience had done him no great harm.

Pamela Stephenson delivered a rather sophisticated sketch about a rebellious silicon breast that nearly jumped into her ear; Neil Innes and Jasper Carrot did a few minutes each; Ken Campbell, bravely but wrongly, led a few chums in a sketch from *Walking Like Geoffrey* that he wrote of rthe Nottingham Playhouse; Jeff Beck and Eric Clapton, cool and sexy, played brilliantly; Dame Edna Everage flew in with a collar inspired by the Sydney Opera House to give us a little of what we had been starved of all evening — "glamour, darlings"; and Alan Bennett and John Fortune reduced me to a cackling jelly with their very polite discussion of why women moan during orgasm (most want to get it over with quickly and get back to making chutney). MICHAEL COVENEY

Albert Hall/Radio 3

Orchestre de Paris

Daniel Barenboim has done much for the Orchestre de Paris since he became its musical director in 1975. Morale then was perhaps at its lowest post-war ebb (the orchestra had only recently assumed its present title); in six years he has braced every instrumental section, greatly enlivened the programmes, and begun to shape a real identity, as well as something approaching a real individual corporate sound, for the band.

They are not yet, however, a great Beethoven orchestra (any more than their director, sometimes a great Beethoven pianist, is a great Beethoven conductor). Nor are they quite ready yet to prove themselves natural heirs to the German Classical-Romantic tradition — even if the first of their two Prom programmes on Tuesday seemed implicty to make that claim.

It was the Paris Orchestra's wind which shone in Beethoven's fourth symphony: bright flutes and oboes, strong, creamy horns, silvery trumpets. But the performance as a whole was curiously casual and soft-centred—at its heart a string section never ideally crisp and clean-edged, whose tone notably lacked weight and pungency in the bass. Barenboim's very flexible rhythmic treatment of the great adagio, and his rather fast tempo, made the movement sound more like a Barcarolle—a reading of greater firmness and austerity, and above all of more powerful suddenness of attack (the orchestral equivalent of the pianist's fast key-descent), would have dissipated fewer of Beethoven's extraordinary progressions. The finale was all *amabilité*: quick and neat, but without any bite to the rhythm or the sonority.

Following the scholarly tendency these days to prefer Bruckner's earlier ideas to his later ones, and his first drafts to his revisions, Barenboim used the first version of 1873 for his performance of Bruckner's third symphony rather than the commoner edition (or some version of it) of 1890. The difference from the listener's point of view is really not crucial: in whatever version it is played the symphony remains a marvellous, headless torso, full of massive preparations, and the finest promise, but ultimately without finish or focus.

DOMINIC GILL

ICA

Lucky Strike

Lucky Strike is by Hrant Allanak, an Armenian brought up in the Sudan and now living in Montreal. His play, or rather "feature," as it is described, is even more confusing. A despairing stab at a description might be a "B" movie version of a traditional avante garde concept.

Eddie (Nicholas Ball) stumbles through the door of a warehouse, located, for no very good reason, in a North African seaport. He has been shot and clutches a case full of money. He collapses in a swoon in the corner and on recovering attempts to light a cigarette: he has no matches.

This scene is repeated, with minor refinements, for over an hour with Colin McCormack as Charlie and Sandy Ratcliff as Lolly blending into the action, sometimes repeating the movements of Eddie; sometimes moving in simultaneous re-play. After about forty minutes a few dead-pan phrases are mouthed—old cinematic clishes, emphasising that this is a theatrical version of the pop art of Warhol, a succession of three dimensional images as against the statically repeated Marilyn Monroe prints.

But really you can make as much or as little of it as you wish. Is Eddie hallucinating on drugs; is he dieing? The soundtrack includes Tangerine Dream and Herbie Hancock and is very loud. Occasionally it lifts the tedium, but this particular chunk of experimental theatre bored me rigid. The lighting is very good and the movement had an infectious frenzy but the ending is as predictable as the action.

ANTONY THORNCROFT

FINANCIAL TIMES
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Friday September 11 1981

A message to the Russians

POLAND'S Solidarity Trade Union Congress in Gdansk has defied the intimidating presence of 100,000 Soviet troops on manoeuvre in the nearby Baltic states and issued a bold declaration of its intention to push for radical reforms. This included giving notice to Poland's communist party that its claim to play a leading role in the state is under challenge.

But delegates also indicated their strong support for the tough but essentially moderate and realistic leadership of Mr Lech Walesa who will be able to maintain his Gdansk power base as well as the national leadership of the union.

Struggle

In his speech which preceded his re-election as Solidarity's national leader, Mr Walesa insisted that Solidarity itself must have a strong leadership and even be "a little bit dictatorial." He warned this was needed because "the fight has just begun" and reminded his audience that for Solidarity to be effective members would have to stop fighting each other and concentrate on the struggle for democracy and economic recovery.

Mr Walesa also appealed for Poles to take a long-term view and argued that it might take four years or so before it was possible to move on to the sort of political reforms discussed by congress this week. He also implicitly warned delegates not to underestimate the strength of forces opposed to Solidarity and warned that the legally constituted authorities were strong and had both the police and the army at their command.

But if Mr Walesa had good cause to counsel prudence and unity at this congress the proceedings revealed a determination to achieve radical reforms in Polish life which neither the Polish nor the Soviet authorities can ignore. The congress has confirmed that over the 13 months since Solidarity was formed the revolt against the traditional Soviet-style methods of Communist Party rule has deepened and matured. Despite the unexpectedly strong efforts of the Polish Communist Party to renew and reform itself, the vast majority of Poles remain opposed to a system which they feel has systematically distorted history, mismanaged the economy and denied the cultural traditions of the country.

It is the strength of this feeling in Poland which is the source of Solidarity's own strength and which makes Solidarity so much more than a conventional trade union. This is why so much time has been spent debating political issues like the need for a genuine parliamentary system, access to the media and the right of workers, rather than the party, to select managers and introduce a self-management system for the economy.

But what was being debated in Gdansk was not only the future shape of Poland. It could well prove a foretaste of economic and political crisis within the Soviet system as a whole. The single-minded determination of the Soviet Union to become a global military power on a par with the U.S. has imposed such a burden on the Soviet Union and its allies that it has overloaded the unsatisfactory economic and political base of that power.

The fact that the strains of the system as a whole should have been revealed first in Poland is a result of circumstances and Polish history. Other countries in eastern Europe — Romania is a case in point — face similar economic problems and require help from their creditors in both East and West. The Soviet Union itself faces the need to import another 40m tonnes of grain this year. Despite protestations to the contrary it is increasingly dependent on Western technology to maintain the productivity of an economy which, under other circumstances, might by virtue of its size and resources to be one of the richest in the world.

Irrelevant

Faced with problems of this kind the military strength of the Soviet Union looks increasingly either irrelevant or counter-productive. Poles were not daunted last week by the Soviet manoeuvres because they have grasped the fact that the military occupation of Poland would not solve but exacerbate the Soviet Union's problems. It would be tempting to think that the Soviet leadership might be prompted by the Polish experience to ponder over this fresh evidence of the limits of military power as they prepare to discuss arms control with the Reagan Administration later this month.

Shaking up the world's airlines

ALTHOUGH THE current recession has severely dampened the growth of world air travel, and created much hardship for many major airlines — as yesterday's further drastic cuts in jobs, fleet and routes by British Airways illustrate only too well — it would be a mistake to use this situation as an excuse for not pressing on with measures for greater competition in civil aviation, especially in Western Europe.

In the U.S., where so far President Reagan has followed the Carter Administration's deregulation activities, there are signs that he is having second thoughts, especially about trying to extend the domestic policies of tougher competition on to the international routes. This attitude appears to stem from two main factors. The first is that several major airlines, notably Pan American (also in a bad way financially) and Trans World, have made it clear that they believe deregulatory policies, leading to tougher competition and a scramble for new routes and lower fares, have been partly responsible for their difficulties, although of course the recession is also partly to blame.

North Atlantic

Nowhere has this been seen more clearly than on the North Atlantic route, where several more airlines have started flights at cut-price rates in recent years, with the result that there are now over 30 scheduled airlines on the route, and losses are collectively running at over $500m a year.

The second factor is that the international aviation community, both at government level, and through the International Air Transport Association, representing over 100 it clear to the U.S. that any major world airlines, have made strong pursuit of deregulation policies in the international arena will be fierceley contested.

This has already been illustrated by the bitter hostility from over 40 governments, and many more airlines, to the efforts by the U.S. Civil Aeronautics Board to make the IATA member-airlines show why they should not lose their present immunity from the U.S. anti-trust laws — the so-called "Show Cause Order." To lose that immunity would render every airline flying to and from the U.S., or even carrying Americans elsewhere, open to stiff legal penalties simply for being a member of the fares-fixing IATA.

For some time the CAB has refused to accept any IATA Atlantic fares agreements, and so the U.S. and other governments have negotiated fares on a bilateral basis.

It is clear from the attitudes of those governments and airlines, including many in Western Europe, that they do not yet want to see deregulation, and that some of them are openly hostile to the principles of greater competition and cheaper fares.

Some of those same Governments in the EEC do not even accept that the competition rules of the Treaty of Rome should apply to air transport.

The whole question of how much deregulation can be exported from the U.S., or introduced willingly in Western Europe, is clouded by the effects of the recession. But Governments must not be so concerned with protecting their airlines as to neglect the interests of consumers. A measure of deregulation on international routes in Western Europe is highly desirable. If Western Europe can learn from the U.S. model—where airline deregulation was one of President Carter's notable achievements—it might be possible in Europe to achieve greater freedom of action for those innovative airlines which want the chance to prove what they can do.

Market forces

Because of the safety factor and for other reasons, a Government regulatory framework for the airline business is essential. But U.S. experience has shown that this can be combined with very full application of market forces, putting pressure on the airlines to cut costs and improve service to the consumer. Outside the U.S. the structure of the industry is complicated by Government ownership and subsidies, but neither this distortion nor the current recession should prevent a controlled move towards deregulation. Without a strong lead from the U.S. the process is unlikely to move very far: the Reagan Administration should remain true to its free market principles and keep the pressure on for more competition in the world airline industry.

DAVY: THE COMMISSION'S VERDICT

Why Britain blocked Enserch

By Hazel Duffy, Industrial Correspondent

LAST YEAR, Sir Peter Carey, Permanent Secretary at the Department of Industry, dropped off in New Delhi on the way home from a visit to the Far East, followed closely by Mr. Kenneth Clucas, the top civil servant at the Department of Trade. Their main purpose was to give a diplomatic boost to the £1.1bn bid by Davy for a huge greenfield steelworks planned by the Indian Government.

Davy had been designated as the "chosen instrument" by the British Government for this particular project, although the rival bidder, Mannesmann Demag of West Germany, was leading a consortium that included British interests.

This contract has still to be awarded. But the diplomatic intervention underlines the new importance that Britain now places on winning this kind of contract. The French have long recognised the commercial value and the prestige attached to such contracts. British politicians and officials have taken longer to realise the advantages. Now, however, they are showing that they are willing to back their stance in no uncertain way. It is against this background that the Monopolies Commission yesterday refused to allow Enserch, a U.S. company, to buy Davy.

The Commission says the merger would harm British exports and employment and gives three main reasons:

- The loss of Davy's national character as a British bidder in overseas markets.
- The lengthening of the chain of management command.
- And the effects of certain United States legislation.

It therefore concludes that "the proposed merger may be expected to operate against the public interest because it would be likely to lead to a lower level of exports of both engineering services and manufactured goods than would be obtained in the absence of the merger.

"The lower level of exports would lead necessarily to a lower level of employment. The reduction in Davy's operations which we foresee would be damaging to the development and diffusion of engineering skills in the British economy."

Davy

Activities: Engineering and construction for chemicals, minerals and metals and energy industries, design and manufacture of machinery for metals and other industries.

Turnover: to 31.3.81—£671m (1980—£725m).

From U.K. companies—home £106m (£121m). Export £199m (£229m). Non-U.K. companies £366m (£402m).

Employees: U.K.—9,113; other—9,678.

Pre-tax profit: to 31.3.1981—$18.7m (1980—£15.9m).

THE MONOPOLIES AND MERGERS COMMISSION

Enserch Corporation and Davy Corporation Limited

A Report on the Proposed Merger

The "national character of Davy as a British bidder" is clearly the rock on which Enserch's bid has foundered. In its evidence to the Commission, the Departments of Trade and Industry emphasised that the government plays an important role in providing assurances to the plant purchaser, particularly in developing countries.

Major [illegible] capital projects the Departments say "exceptionally important. Significant employment and technological benefits flow from the existence of a thriving industry capable of undertaking the design and construction of major capital projects overseas, as well as from the associated sub-contracting business."

This extends even to companies not involved at all in the project, because the prestige attached "could throw credit generally on the industry of the source country (the "halo" effect) as well as encouraging other companies to intensify their activities in the market concerned."

Although the Government "would naturally wish to accord Davy, if taken over by Enserch, an unchanging level of support," the DoT said this would not have been automatic. Davy was more specific: "From the point of view of the British Government, it would hardly be possible, with the best will in the world, for full political and diplomatic weight to be thrown as freely and readily behind a United States-owned Davy as it had been behind Davy as a fully British company," the company told the Commission.

Yesterday's report echoed this point: "If Enserch acquired Davy we doubt whether clients and their Governments would continue to regard Davy as the leading British engineering contractor or feel assured that it was effectively under United Kingdom control and jurisdiction," the Commission said.

Enserch protested in its evidence that the British Government has "publicly guaranteed 'even-handed treatment, in law and in practice, of all companies whether of British or foreign ownership,'" and that the most important thing was whether a company was capable of offering a better overall package to the customer than its competitors.

The Commission argues that the Government welcomed inward investment particularly if it means new production facilities and more jobs. Enserch would not have provided either, although it did argue that it could bring benefits to Davy in finance, technology and improved access to certain overseas markets.

The Commission accepted that there might be some advantage to be gained from Davy being backed by a corporation with substantially larger net worth and annual profit, but did not think that Davy had been inhibited in developing its business by financial constraints (in 1973, the Commission, in turning down Davy's proposal to acquire British Rollmakers, pointed out that Davy does not necessarily need hard assets in its balance sheet to raise finance).

As for the technology argument, the Commission could not see much advantage from Enserch merging with Davy (although Ebasco, a subsidiary of Enserch, is engaged in contracting, this is in the sector of power stations, which does not coincide with Davy's experience).

ENSERCH CORPORATION

Activities: Petroleum exploration and production, oil field services, engineering and construction services, natural gas transmission and distribution.

Revenues: to 31.12.80 — $2,694m (1979—$2,238m)—of which engineering and construction: $530m ($490m).

Income from continuing operations before taxes: $254m ($150m).

Employees: 20,168—of which engineering and construction: 6,303.

Head Office in Dallas, Texas.

And the Commission was unconvinced about new markets, while conceding that there might be some advantage from the merger for Davy's prospects in Saudi Arabia. It also doubted whether Davy would gain any more access to U.S. markets than it already enjoys with its U.S. company.

Then the Commission turned to the possible disadvantages. The most important is that of the "Britishness" of Davy. This, the Commissioners said, would be less convincing even if Davy remained under British management. Most scathing, however, is one simple comment: "we were struck by the very limited knowledge that Enserch appeared to have of Davy's business."

Other potential problems included U.S. legislation, particularly the Foreign Corrupt Practices Act, which would compel Enserch to avoid the use of any agent in the customer country who is a government employee in a position relevant to the contract. "The application of this policy might well affect Davy's business prospects in certain countries, particularly as European and Japanese competitors will not be subject to the same legal constraints," it said.

A key advantage to a country having a leading contractor is that it brings orders for the much more labour-intensive process plant manufacturers. Professor Barna estimates in an unpublished report some parts of which are quoted by the Commission that for every design engineer sitting in the offices of a contractor can depend six jobs in the manufacturing sector.

The process plant industry in Britain employs up to 80,000, although several companies are in particularly dire straits at the present time. UK contractors certainly seem to buy more equipment from UK sources—over 90 per cent is Davy's claim—than U.S.-owned contractors operating in the UK, who buy less than 60 per cent of their requirements here.

Yet Prof Barna estimates that overall in export contracts British hardware content is less than a half in value terms, possibly nearer to one-third (these figures would include U.S.-owned contractors).

Whatever the true figure, there can be no doubt that British contractors have frequently been forced to buy abroad in order to remain competitive. This is an aspect which might have warranted more discussion in the Commission's report.

Following the Commission verdict the much-discussed question of further restructuring among British-owned contractors may be revived. One

to the Commission, commented that while Davy is large enough to permit it to share in some

projects business, it is certainly not large enough to compete with the major international contractors in the world market for the largest projects.

Although this particular company did not see the Enserch solution as being the best, it went on to suggest that there is a "strong case for trying to create a much larger truly British contracting company."

Europe holds its own in a tough business

DAVY IS the largest European-based engineering contractor, employing around 12,000 contracting staff worldwide of whom around 4,000 are in the UK. It employs around 5,000 in manufacturing as well, mostly in Britain.

Davy is very experienced in a wide range of processes — oil, chemicals, petrochemicals, plastics, fertilisers, minerals, iron and steel, water treatment, and pollution control plants. It has important subsidiaries around the world, notably in the U.S. (Davy McKee) and West Germany.

The American contractors are by far the strongest competition for the Europeans in international markets, particularly those like Fluor (which is about twice the size of Davy in terms of staff employed), Bechtel, Pullman Kellogg, Lummus, Foster Wheeler, and Procon, all of which have established offices in the UK.

During the 1970s, London rivalled Houston, the U.S. contractors' capital, as the largest contracting centre in the world. Some of the attractions of London, however, have lessened recently.

But the Europeans have managed to maintain their positions in spite of competition from the U.S. and more recently from Japan. In France and Italy, this has resulted from an effort by their governments to create and sustain strong contracting sectors.

Europe's main contractors are:

● West Germany — Lurgi, a subsidiary of Metallgesellschaft, which is unusual in that it does not rely much on outside licences for its wide range of chemical and related processes, but does most of its own research and development.

Other major contractors are Linde, Uhde, KHD, and Krupp, all of which, like Lurgi, are part of much larger engineering and chemicals groups. The most important West German contractor under foreign ownership is Davy, including the former Zimmer group and run on largely independent lines from its UK parent. In steel plant, Mannesmann Demag and Schloemann Siemag are major international competitors.

● France—Technip is the largest contractor. It was set up in 1958 by the Government and oil companies, and has become a successful instrument in official efforts to make the French industry important in major overseas projects. Other contractors include Creusot-Loire, Speichim, and Heurtey.

● Italy—Like French contractors, the Italians are mainly petroleum - oriented. SNAM Progetti, controlled by the State agency ENI, is the largest contratcor, which also has a sizeable presence in the UK. Other contratcors in petroleum and refining include Technimont, part of Montedison, and SNIA Viscosa. Another example of State involvement is Italimpianti, a subsidiary of IRI, which builds steel plants.

There is no reliable method of assessing the share of a particular country in worldwide contracting, particularly as major projects are frequently split between a main contractor and sub-contractors from different countries.

Japan has grown rapidly as a bidder for big projects around the world, and is particularly successful in South-East Asia and the Middle East. The main feature of the Japanese approach is the highly integrated structure of the contractors which have the backing of financial services, hardware supplies and design, all within the same group. Major contractors include Toyo Engineering, Chiyoda, Mitsubishi, Nippon Steel and IHI.

Other countries with a limited contracting capacity include South Korea, India, Brazil and other industrialising countries which are learning from the technology that has been supplied to their own countries.

This transfer of technology between countries via contractors is emphasised in an unpublished study on the European process plant industry by Professor Tibor Barna for the European Commission. He emphasises the strategic position of the contractors, first because it is they which manage the technology originating in research institutes and companies, and second, because they are transferring technology not only between companies but also between countries, and particularly to developing countries.

MEN AND MATTERS

Lew's talk

In the wake of "Raise the Titanic," Lord Grade might well have been working from a script entitled "Raise the Share Price" for much of yesterday's annual meeting of the Associated Communications Corporation.

Spain was in the market for 27-year-old Robin Hood programmes, a new series might be under way, the bust of Ivor Novello had been found and returned to display in Drury Lane, Lew Grade was 74 going on 34 and getting younger every day, the asset backing was strong and all the shareholders were one big happy family.

It was, uncharacteristically for ACC, something of a low-budget epic, with the massed ranks of note-jotting and camera-snapping extras packed into a sixth-floor room which could barely have been larger than that of the Muppet mogul himself.

Perhaps it was the notion of a family affair which led Grade to choose so intimate a venue. At any rate, it meant most people could get a glimpse of his Kermit the Frog tie, and hear his wit and wisdom loud and clear. After a bit of a stumbling start, it was a solid performance from the master of ceremonies. "You're 47, congratulations," to one shareholder, "you just got the numbers the other way round."

Quite what the guest star, Robert Holmes à Court of Australia's Bell Group, made of all this was hard to say, since he perched on the end of a row wearing a permanently baffled look as if he had rather expected to be somewhere else. That he had indeed come to the right place was made clear by a fanfare from Grade. "I would like you to welcome a new substantial shareholder," he boomed, going on to congratulate the Australian on his "brilliance" in acquiring so many shares at "a ridiculous, ludicrous price."

Holmes à Court gave a nod to the top table, looking for all the world like a man who learns that he has just won Opportunity Knocks without even having had a chance to perform his act.

A cigar jammed ferociously into his mouth like a misplaced stake from a vampire hunter, Grade made it clear that he was still, as far as he was concerned, in charge at least until the end of the century. And non-voting shareholders in general, Holmes à Court in particular, should entertain no misconceptions on that score.

"I feel like a bull," was Grade's unexpected parting shot. If Holmes à Court feels like a matador, he is giving no clue about when he plans to swop his city grey for a suit of lights. He may also need some fancy footwork. "I'm 34, and I can still do the Charleston," says Grade, "who's going to lead a coup against me?" Sadly, however, the famous Charleston was not to be performed yesterday. Because, said the £204,000-a-year chairman, he was not being offered enough money.

Opening stand

Wearing a wine-coloured suit and yellow rose, Geoff Boycott padded up for Wakefield yesterday. "A dedicated lad . . . real Yorkshire grit," said Tom Dando, the city's planning committee chairman, in rapt admiration.

Banned from the county team, Boycott came to London to help Yorkshire's other jobless by promoting Wakefield's enterprise zone at a Centre Point exhibition.

"The press could not find him, the police could not find him. But we did," said Dando, triumphantly dispensing with a speech on Wakefield's industrial attractions as reporters and cameramen overran the Yorkshire stand, watched in speechless envy by the rival burghers of Speke.

"We speak us minds in Yorkshire," said Dando. "That were a shabby trick played on him. If anyone could take offence at his TV interview, I will eat my 'at."

"At half mast, I presume"

Courteously anticipating the googlies, Boycott played a straight bat. It would have been more of a pleasure to be playing in Scarborough, he admitted, but he was happy to turn out for Wakefield. He hoped it would be a luckier week for them than it had been for him.

"What about IT, Geoff?" someone pressed. "I have nothing further to say. It is in the hands of the legal people," he said. Was he thinking of turning out for anyone else? "Yorkshire cricket is my life . . . is my life . . . is my life," the record-breaker repeated.

Of mice and men

British hearts will beat that little bit stronger this week to the news that a team of UK electronics engineers has taken on the massed might of Europe and won. The contest was, admittedly, not quite the sort of thing which the white-heat of the technological revolution was all about. But nonetheless, when it comes to building robot mice, British is proved best — and not just by a narrow squeak, either.

The doyen of Euromice is called "Thumper," and was built by three Midlands engineers, two from GKN and one from Allen-Martin Electronics. After fighting its way through a week of preliminary heats, the guided mousile proved without peer in finding its way to the centre of the 14-foot-square maze used in the Paris final. And, to crown a triumphant night for the British contingent, a London mouse called "Sterling" finished second

Footmarks

After Ron Greenwood and the lads, it was Michael Foot's turn last night to do his bit for Norway. The Labour leader was in Oslo, delivering a dire, if unscripted, warning about the "effects of monetarism" to a left-wing political forum.

Though ostensibly not part of her election campaign, it seems that Labour Prime Minister Gro Harlem Brundtland hopes Foot's portrayal of life in Thatcher's Britain will check the move to the Right among her own voters. Since their shock encounter with rampant England football fans, they may already be having second thoughts about emulating anything British.

Foot, who performed similar services for Francois Mitterrand and Helmut Schmidt, must wish he could do as much for his own party. Slightly galling for him, I should think, that, while the three contenders for Labour's deputy leadership were slugging it out before the TUC last night, President Mitterrand and Mrs Thatcher were enjoying an undemanding half-hour together at the Proms, listening to Debussy's La Mer, and then skipping Boulez and Saint-Saëns for a Downing Street dinner.

Observer

FINANCIAL TIMES SURVEY

Friday September 11 1981

LUXEMBOURG BANKING, FINANCE AND INVESTMENT

Luxembourg's future as an international banking centre has been called into question by the unprecedented rise in world interest rates and a squeeze on profit margins in wholesale banking. Now its bankers are looking at new forms of business to try to secure the financial sector's health.

The Royal Palace in Luxembourg. The Grand Duchy has moved quietly to create a legal basis for the concept of bank secrecy

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Fierce squeeze on profits

BY PETER MONTAGNON

EVEN West Germany's mighty Dresdner Bank is earning less in Luxembourg than before. Net profits of its local subsidiary fell to LuxFr 762m in the year ended March 31 from LuxFr 1.06bn a year before.

News such as this has become all too familiar in Luxembourg over the past two years. In some cases it has been even more dramatic. The Luxembourg subsidiaries of West Germany's other big banks, Commerzbank and Deutsche Bank, declared no profits at all in their most recent business year.

Declared net profits do not of course tell the full story. Deutsche Bank did in fact have substantial earnings in its latest statement year but it chose to apply them all to hidden reserves rather than reveal them in its balance-sheet.

Some banks are also doing better than others, particularly the local banks with a large retail deposit base and well-diversified business. Kredietbank Luxembourgeoise, for example, saw its profits rise by LuxFr 37m to LuxFr 307m in the year to end-March.

But there is no disguising the fact that adverse market conditions have engendered a fierce squeeze on profitability, especially for those banks which rely heavily on traditional Euromarket business of syndicated loans and Eurobonds. Low margins on Eurocredits and high interest rates in the bond markets have made life much harder, prompting a careful rethink about the Grand Duchy's future role as an international banking centre.

Figures compiled by the Luxembourg Banking Commission show that banking profits fell overall by around 5 per cent in the year to end December.

This year they seem to have stabilised but there is little prospect of a quick upturn. Many banks still have low-yielding fixed rate loans on their books which are being financed at a loss. Dr Pierre Jaans, the country's Banking Commissioner, reckons it will take two years or so for these loans to be run off balance sheets.

Commercial bankers add that margins on syndicated lending are also unlikely to recover significantly as long as liquidity in the Euromarkets remains as great as it is at present.

Luxembourg thus seems stuck with a continuing period of consolidation, but it is a measure of its maturity as a financial centre that the difficult times now being experienced have not led to an exodus of banks established there. No one can pretend that the queue of new banks waiting to open in Luxembourg is a long one, but the numbers open for business are still increasing slowly.

At the latest count there were 113 banks in Luxembourg, an increase of two since the end of last year and five since the end of 1979. In 1970 there were only 37 banks in the Grand Duchy.

The squeeze on profits has, however, shown that these banks need to diversify their sources of income. Particular attention is now being paid to fee-generating off-balance sheet business.

Adapted

Luxembourg banks are trying hard to woo the retail client who has large amounts of money to invest. Gradually over the past two years the infrastructure of the banking centre has been adapted to accommodate this.

Most striking among the changes involved has been the development of a local gold market. This is, says Dr Jaans, not broad enough to be used by central banks for purchases and sales of bullion.

The volume of gold traded in Luxembourg quadrupled last year (absolute trading levels are not disclosed), as private investors took advantage of the fact that gold transactions are free of the taxes now imposed in Switzerland and West Germany.

Luxembourg has also moved quietly to create a legal basis for the concept of bank secrecy. Numbered accounts are available there just as in Switzerland.

Other changes include the establishment of a certificate of deposit market in Luxembourg, as well as legislation to allow the operation of American-style money market funds there.

Developments such as these show that the Luxembourg authorities are concerned to protect the banking industry and indeed to promote its development along lines that can only be helpful to the country as a whole.

This is understandable given the Grand Duchy's heavy dependence on the banks. Other sectors of its economy, notably steel and agriculture, are in steep decline.

The banks, which employ around 5 per cent of the workforce, thus have an important role to play. Service revenues help maintain Luxembourg's balance of payments in surplus, estimated last year at LuxFr 10bn to LuxFr 15bn.

More important still are the fiscal revenues generated by the banks. They contribute no less than 80 per cent of the profits tax levied in the Grand Duchy, which works out at 15 per cent of total tax revenues.

Curiously enough it is in the fiscal area that the banks could be most readily helped out of their current slowdown in profits. Although it has no withholding tax on interest payments Luxembourg is far from being a tax haven.

Profits tax is levied at the relatively high rate of 48 per cent, where a reduction could produce considerable extra incentive. But the Government expects its budget to be stretched by strains elsewhere in the economy and significant tax concessions for the banks are out of the question for the time being.

It is partly for this reason that government officials are now laying such great emphasis on the help they are giving in other ways to the banking community, particularly in improving the environment for private client business.

Publicity for this development is no doubt vital for another reason. Luxembourg remains very much a European banking centre. It is not as yet particularly well-known among private investors in the Far East, Latin America and the Gulf.

This is in stark contrast to Switzerland, whose reputation for discreet management of private individuals' funds is world wide. There is no doubt that some of the bankers in Luxembourg most actively involved in private client business are very keen to take business away from Zurich and Geneva.

They are quick to suggest that charges for money management are lower in Luxembourg than they are in Switzerland and that the service is often more personalised.

Yet Luxembourg's international responsibilities as a member of the EEC mean that it has to tread very carefully with the promotion of its name as a private banking centre. It cannot afford to acquire a reputation—even if unjustified—for laundering "dirty" money and it cannot be seen to be actively promoting capital flows out of neighbouring EEC countries at times of political or economic stress.

There is also a manpower constraint on the development of private client business, which tends to be much more labour-intensive than wholesale banking.

For all these reasons some Luxembourg officials admit privately that there is a danger of overstating Luxembourg's future as a private banking centre. The changes that are taking place have to be put in the perspective of a centre that will still remain heavily orientated towards wholesale banking, even with some diversification "on the side."

Strong demand

In the early months of this year, they say, there was still a strong demand for credit from European countries, particularly from smaller corporate borrowers in West Germany. Such borrowers have been one of the mainstays of the Luxembourg banking community.

They are first-class credit risks but too small to have a large international profile and the margins they pay above EuroD-Mark rates are thus considerably larger than those awarded to conventional Eurocredit borrowers.

CONTINUED ON NEXT PAGE

Need to breathe new life into service industries

THE ECONOMY of Luxembourg is, by any standard, highly vulnerable to the trade winds which blow in from its European partners and from across the Atlantic. The export of goods and services represent well over 80 per cent of the tiny country's Gross Domestic Product and it meets only about 1 per cent of its fuel requirements from within its own borders.

It is therefore no surprise that Luxembourg has felt the full chill of the current recession. All its principal industries have been affected by a downturn in demand but none more so than steel production, which remains by far Luxembourg's largest industry.

The progressive decline of Arbed, the dominant producer, has reinforced the importance of banking in the country as both an employer and a tax payer. Arbed, a company with extensive interests outside the boundaries of the Grand Duchy, once represented 45 per cent of Luxembourg's industrial production, 56 per cent of its exports and about a quarter of its GDP.

Now, although it remains more efficient than many of its neighbouring competitors, its contribution to the Luxembourg exchequer has been converted into a cash drain. Losses have escalated from LuxFr 218m in 1979 to LuxFr 1.59bn last year. In order to reverse this trend, Arbed is planning a capital investment programme of LuxFr 20bn up to the end of 1984, supplemented by government aid of LuxFr 7.5bn. This aid package has aroused some antagonism in Brussels, and an inquiry has been ordered by the EEC, but whatever the outcome, Arbed will remain a burden on the Grand Duchy's finances for the foreseeable future.

The demise of the steel industry is a particular hot potato because it is still by far the country's largest employer. The workforce of 17,700 compares with only 3,680 at the country's next largest employer, Goodyear, and the third on the list is Rodange, another steel producer controlled by none other than Arbed. By comparison, the largest bank work-force of 1,280 (at Banque Internationale de Luxembourg) is barely more than a dent.

Luxembourg's unemployment rate remains extremely low by international standards at only one per cent. But this is already uncomfortably high for a country which has always been accustomed to full employment and the onus is clearly on the financial services sector, and banks in particular, to take up the slack.

The government has extensively examined alternative ways of generating employment. An industrial reorganisation programme is under way and the country can point to an industrial relations record unblemished by strikes since the 1920s as an incentive. But so far the strategy has met with little success. Goodyear has been represented since 1951 and the other major non-steel manufacturer, Du Pont, opened up more than 15 years ago. Since then, high wage costs have contributed to a slight disenchantment with Luxembourg among foreign manufacturers.

Certainly, the banking sector has been making an important contribution. The financial sector employs around 5 per cent of the country's workforce and, even since 1968, around 5,000 jobs have been created. The mushroom growth of the banking sector has also generated work in the service and construction industries. But Luxembourg will never restore full employment through banking alone. One significant inhibition is the international nature of the country's 113 banks, which must look outside Luxembourg to meet their needs. Since 1972, the percentage of Luxembourgers as a total of all bank employees has fallen from 74.2 per cent to 68.8 per cent.

So the banking industry's main contribution must be that of a taxpayer. It already represents 15 per cent of all tax revenues and 80 per cent of Luxembourg's corporation tax income. These receipts enable the Luxembourg Administration to finance reindustrialisation programmes as well as improvements in service industries and infrastructure.

Radio-Tele-Luxembourg which

Economy

JOHN MAKINSON

was overtaken several years ago by Compagnie Luxembourgeoise de la Dresdner Bank as the Duchy's largest tax payer, is preparing an investment programme totalling around the country's 113 banks, which years to finance the launch of a communications satellite. The cost will probably be met in large part by outside shareholders in the venture but it will still place a burden on the finances of Luxembourg itself.

Not surprisingly, therefore, Luxembourg is doing what it can to foster the country's banking industry. The Organisation of Economic Co-operation and Development is expecting a fall in real GDP this year and the current account will remain in surplus only because of heavy inflows of factored income arising from the banking sector. Last year, the country's trade deficit was around LuxFr 15bn, but a heavy surplus on services left the current account in a surplus of close to LuxFr 25bn.

The emphasis on service industries has become a cornerstone of government policy. The Finance and Budget Committee of the Luxembourg Parliament has put it as follows: "Industrial policy should avoid giving further prominence to manufacturing industry in Luxembourg's make-up. Ultimately it is the service activities which will be called upon to the country's main employer."

Yet, as was the case with steel, the destiny of Luxembourg's banking industry will be shaped as much in foreign financial capitals as in the country of Luxembourg itself. The Banking Commissioner, M. Pierre Jaans is concerned to provide the banks with as many incentives to stay as is feasible. And, since the country's tax revenues are to a great degree dependent on the profit performance of the banks, it is in everyone's interest to maximise bank earnings.

As described elsewhere in this survey, the banking authorities have provided Luxembourg banks with an attractive regulatory framework and a tax structure which, in its detail, is not onerous. But the central pivot of the fiscal system — corporation tax — is immutable. A reduction in the 48 per cent rate is a constant goal of the banking community but, with tax revenues falling elsewhere, the government is hardly in a position to surrender any ground and, at the moment, with profits in international banking generally under pressure, tax revenues from banking are already failing to keep pace with the expectations of a few years ago.

The Luxembourg authorities are therefore in a dilemma. The relegation of Luxembourg to the status of a tax-haven would be politically unacceptable and economically unviable. But a maintenance of the existing tax structure could tempt some banks to wind down their operations and move to more remunerative shores.

So far, at least, the danger does not appear serious. West German banks have seen their profits deteriorate—in one case to nothing—over the past two years but, with a minor exception, none has decided to close down its operations. Indeed, the banking industry is still growing—albeit at a slower pace than in the 1970s.

Despite the problems of the steel industry, Luxembourg's economy is still healthy by international standards. But it has learned painfully from the steel experience how dangerous a dependence on a single industry can prove. The banking sector is now rapidly assuming the kind of importance enjoyed by the steel industry a decade ago. So, while banking policy has so far been handled with tact, flexibility and imagination, few of Luxembourg's economic planners will be content until a viable alternative source of employment and revenue has been developed.

Link with Belgian franc is to remain

LUXEMBOURG'S currency is tied to the Belgian franc. As a result the country has never really needed a central bank as a vehicle for the conduct of monetary policy. All decisions on interest rates and foreign exchange matters are basically taken by the Belgian National Bank in Brussels.

This has left Luxembourg without any framework institution which could perform some of the central banking roles still required in the Grand Duchy itself, a gap in its institutional armoury which is soon to be corrected. Following the recent renegotiation of the economic and monetary union treaty with Belgium — the present treaty expires in March, 1982—Luxembourg is now preparing legislation to set up a Monetary Institute.

Cynics might describe the Institute as a make-believe central bank,—for although it is being billed as a central bank *sui generis* in the Grand Duchy itself, the Institute will have absolutely no power to carry out the normal central banking function of acting as banker to the banking system. It will not be empowered to engage in money market operations; nor will it have any authority to intervene in the foreign exchange markets. Instead its day-to-day business will be basically administrative.

The Luxembourg Monetary Institute will, for example, incorporate the bank supervisory role now being handled by the Banking Commission together with the task of issuing the Grand Duchy's banknotes.

Currently Luxembourg may issue its own coin and banknotes but only to a maximum of LuxFr 750m. This amount is to be raised to about LuxFr 1.4bn, or 10 per cent of the fiduciary money in circulation in Luxembourg. In addition Luxembourg will for the first time under the new treaty with Belgium be able to issue large denomination bank notes.

The Monetary Institute will also be entrusted with the task of managing the country's international reserves. Luxembourg has no foreign exchange reserves on the normal sense but it does have some gold holdings—about 14 tonnes—as well as holdings of Special Drawing Rights and European Currency Units as a result of its membership of IMF and the EEC.

Monetary Institute

PETER MONTAGNON

In practical terms the Institute will thus group together a number of functions presently carried out by seperate organisations—the Banking Commission, the State Savings Bank and the Finance Ministry.

But what is probably more important than this administrative rationalisation is that the Institute will give Luxembourg a vehicle for stepping up its representation on international bodies.

For example, Luxembourg has always been represented at the monthly meetings of EEC central bank governors at the Bank for International Settlements in Basle. But as it has no central bank and therefore no central bank governor it has always been relegated to observer status.

The creation of a Monetary Institute is intended to put an end to situations like this. It would enable Luxembourg to play a full role in any eventual creation of a European Monetary Fund.

The Luxembourg Monetary Institute thus goes some way towards satisfying the national pride of a country whose basic monetary system does not allow for a fully fledged central bank.

Some Luxembourgers want to take pride even further and use the Monetary Institute as a vehicle for engineering a separation of the Belgian and Luxembourg francs. Iceland's GDP is even lower than Luxembourg's \$4.2bn, yet that country has its own independent currency, they argue.

Mr. Ernest Muehlen, State Secretary at the Finance Ministry, states flatly, however, that this is out of the question. Luxembourg does not have the resources to stand up against the speculative flows that would inevitably arise from the establishment of its own currency by a small country in such a central location. The Luxembourg currency is bound to the Belgian Franc and will remain so, he says.

Squeeze on profits

CONTINUED FROM PREVIOUS PAGE

The balance sheets of Luxembourg banks have meanwhile continued to expand fairly rapidly. By the end of May total assets of all banks in Luxembourg amounted to LuxFr 4,620bn, an increase of LuxFr 703bn since the end of last year.

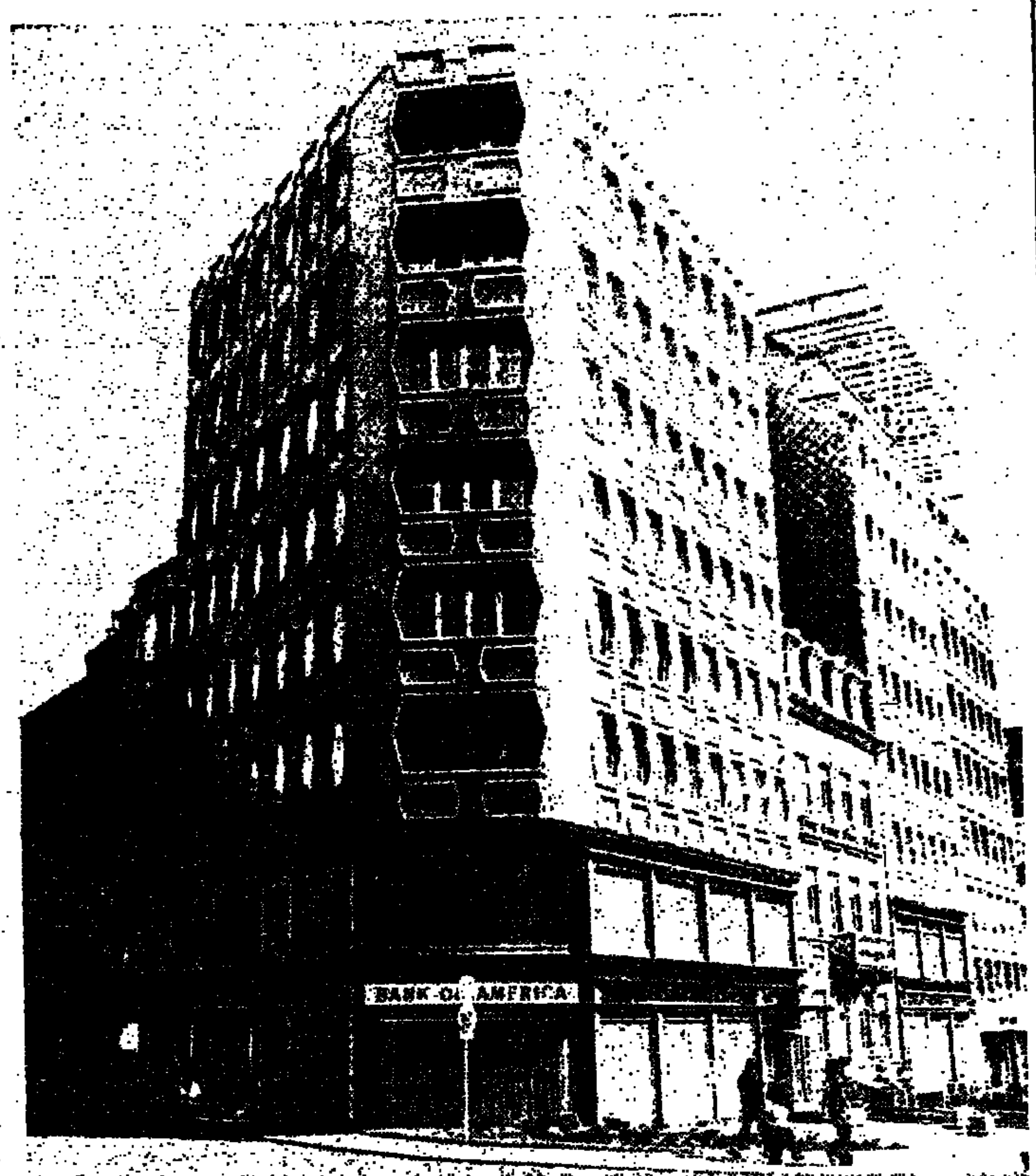
Even in the difficult consolidation year of 1980 balance sheets expanded by LuxFr 664bn, or more than 20 per cent.

This seems to suggest that there is still room in Luxembourg for dynamic wholesale banking activities. The traditional Eurocredit and Eurobond business may be less profitable than before but there is still plenty of demand for wholesale banking services in such areas as correspondent banking, trade finance and money market operations.

Evidence of this is shown by the continuing confidence in Luxembourg demonstrated by Norwegian banks, which came to the Grand Duchy originally to conduct business not permitted at home.

For some time now changes in their own local regulations have meant that they could just as easily conduct their business out of Oslo; but they are staying put in Luxembourg. Indeed Den norske Creditbank is increasing its staff and moving up the road to smarter and larger offices.

Growth of an important financial centre



Bank of America in Boulevard Roy. Luxembourg is still basically a wholesale banking centre but U.S. banks draw more than a fifth of their funds from private deposits

The banking community

PETER MONTAGNON

THERE ARE now 113 banks licensed to operate in Luxembourg. With the notable exception of the British banks (which perhaps because they have their own tailor-made financial centre in the City of London are barely represented in the Grand Duchy), they represent quite a significant selection of banks from almost every other major industrial country.

Indeed for about two or three years now the growth in the number of banks has been slowing as Luxembourg found it was already playing host to most of the leading names in international banking.

Balance sheet growth has continued to be fairly rapid. At the end of May, the latest date for which figures are available, the total assets of banks operating in Luxembourg stood at LuxFr 4,620bn.

This was an increase of 18 per cent since the end of 1980. Part is, of course, accounted for by the rise in value of the dollar since then—much of the business of Luxembourg banks is carried on in foreign currencies—but it does represent a strong underlying growth rate.

Moreover, total assets grew last year by 20.4 per cent, according to figures compiled by the Banking Commission. Luxembourg's share of total Euromarket business at the end of 1980 was 11.6 per cent, somewhat below the 12.4 per cent level recorded at the end of 1979 but still well up on the 10.9 per cent of two years previously.

There is thus no denying the fact that Luxembourg, despite its poor record for profitability over the past two years, has become an important financial centre by world standards. This is due less to the significance of its own economy as to the strategy of its authorities in allowing the Grand Duchy to develop into what can best be described as a financial turntable.

In any money market there are always givers and takers and some groups of banks in Luxembourg stand out clearly in one or other of these roles. The Swiss banks, for example, tend to use Luxembourg as a Euromarket repository for funds collected from clients at home.

The rapid growth in Swiss banks' fiduciary deposit receipts, which grew by 43 per cent in 1979 and 63 per cent in 1980, has only enhanced this role. An important slice of these funds are passed into the Euromarket through Luxembourg, where they are invested at short term with other banks.

The seven Swiss banks have thus become important providers of liquidity to the market, with nearly 80 per cent of their assets in the form of short-term lending and only about 16 per cent in the form of longer term loans to non-banks.

At the other end of the scale the 14 Nordic banks are important takers of funds, as befits the capital importing structure of most of their domestic economies. Nearly 90 per cent of their liabilities represent interbank funding, a figure similar to that of the Japanese banks.

Whereas Japanese banks hold nearly 45 per cent of their assets in liquid form, the Nordic group of banks is heavily lent. Nearly 60 per cent of their assets is in the form of longer term credits.

Not surprisingly, the local banks from Luxembourg and Belgium, which have the largest retail deposit base, receive by far the largest portion of their funds from clients of any single grouping. These banks, numbering 12 in all, have more than 60 per cent of their liabilities in clients' funds.

The German banks, numbering 30 in all, also rely heavily on the interbank market for funds—but they are also fairly liquid, with about 50 per cent of their assets in the form of short-term loans. These banks were the first foreign banks to discover Luxembourg, being drawn there in the effort to evade the reserve requirements imposed on their domestic business.

BANK FUNDING AND LENDING

(percentage ratings as indicated—mid-1981)

Liquidity*	Reliance on inter-bank funding†	Use of client deposits‡
Swiss 77.3	Japanese 87.5	Lux/Belgian 61.4
U.S. 76.8	Scandinavian 86.9	French 46.3
French 64.4	W. German 83.8	U.S. 20.7
W. German 48.8	Swiss 82.9	Swiss 11.2
Lux/Belgian 48.7	U.S. 69.1	W. German 9.4
Japanese 43.7	French 43.6	Scandinavian 5.9
Scandinavian 34.9	Lux/Belgian 27.0	Japanese 5.0

* Percentage of liquid assets as proportion of total assets.
† Percentage of interbank borrowing as proportion of liabilities.
‡ Percentage of client funds as proportion of liabilities.
Source: Canadian American Bank.

They are also the largest national grouping of banks and the group which has suffered the most severely from the recent squeeze on profitability. Figures compiled by Canadian American Bank in Luxembourg show that in mid-1981 there were seven German banks in the top 10 with regard to total assets; but only one of them was also in the top 10 with regard to return on assets.

The main point about comparison of banks' funding and lending patterns in Luxembourg is that it demonstrates clearly the different aims which have drawn different groups of banks to the Grand Duchy over the years.

Even within national groupings different institutions aim to develop their own individual style. Dresdner Bank, for example, has always been the best diversified of the German banks, with foreign exchange, gold and private client business playing an important part alongside its traditional bond and Eurocredit business. Deutsche Bank, by contrast, concentrates much more heavily on credit business.

Within the 11-strong U.S. banking community First Boston and Bank of America are particularly keen on developing private client business, and Citibank lays particular emphasis on bond-related business.

What is clear, however, is that Luxembourg is still basically a wholesale banking centre. Banking Commission figures for the end of April show that LuxFr 3,282bn out of the bank's total liabilities of LuxFr 4,491bn were interbank borrowings.

On the assets side interbank business accounted for LuxFr 2,408bn and term lending LuxFr 1,179bn. Holdings of quoted securities were LuxFr 137bn and of unquoted securities LuxFr 166bn.

There is none the less a distinct trend towards increased private banking business in Luxembourg. "This place is a natural deposit-gathering centre," said one U.S. banker, pointing to the convenient location of Luxembourg in the heart of Europe and its advantages of bank secrecy coupled with the wide choice of institution.

The U.S. banks in fact draw more than 20 per cent of their funds from client deposits, making them the third group least reliant of all on interbank funding. Their evident success in gathering private client money is no doubt partly due to the pessimism over the future of their own continent felt by many European investors nowadays.

RESIDENT BANKS BY NATIONALITY

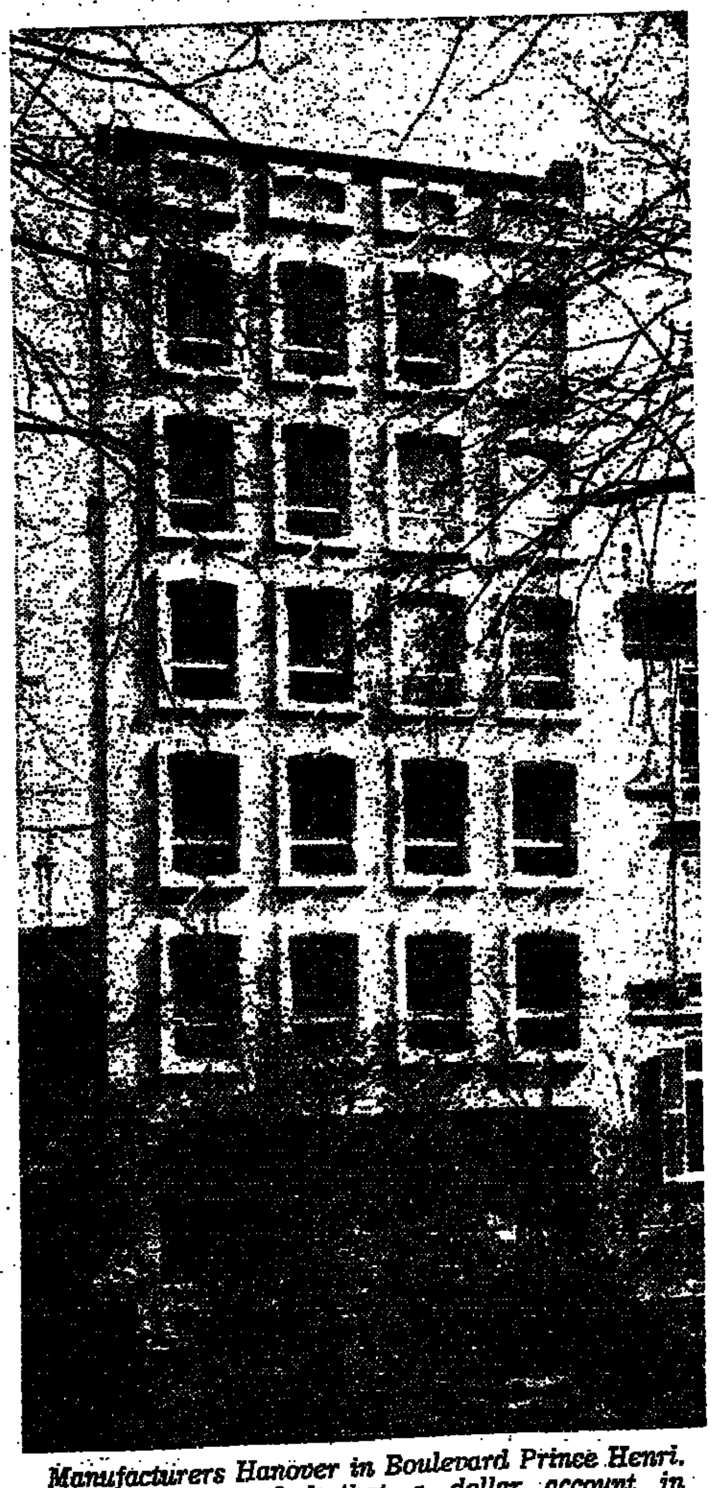
W. Germany	30
Luxembourg/Belgian	12
U.S.	11
France	8
Switzerland	7
Multinational consortia	7
Italy	6
Denmark	5
Israel	5
Japan	4
Sweden	4
Norway	3
Arab	3
Finland	2
China	1
Poland	1
Portugal	1
Soviet Union	1
Others	2
Total	113

For many such investors the political uncertainty engendered by events in Poland and the signs of stagnation in some leading European economies means that their first choice would be to have an account in a bank in New York. When they discover that this is not feasible their next best choice is to have a dollar account with a U.S. bank in Luxembourg.

Figures on the sources of bank deposits do not, of course, cover funds under portfolio management, which are now thought to have reached very substantial proportions, generating large fee income for banks. There is no doubt that the Luxembourg authorities are doing their best to create a favourable environment for such fee-generating business as part of their attempt to create a more rounded banking centre in the Grand Duchy.

But this type of business still represents a change of gear for some of the Eurobanks which have been used to dealing with a very high turnover of business on very low staff. Even private client business is not by all seen as the complete answer.

"What we still lack," said one senior local banker, "is expertise in corporate financing and project financing." Until now, he said, Luxembourg banks have been too small to offer much in the way of specialisations like these.



Manufacturers Hanover in Boulevard Prince Henri. Many investors find that a dollar account in Luxembourg is the next best thing to an account in New York

Brussels reluctant to tackle the 'Luxembourg Connection'

Above and below: The Brussels Bourse. As Belgium's economic recession bites the funds switched abroad are only adding to the country's problems

THE COLD logic of Belgium's hotly debated Luxembourg Connection has been concisely set out in the Banking in Luxembourg guide, just published by the Grand Duchy's Bankers Association:

"Taxation of non-resident: no withholding tax applies to interest and coupons (except on dividends originating in the country). The non-resident depositor pays no income tax, no tax on net worth, no tax on capital gains. No inheritance tax is due on monetary assets and securities owned by non-residents."

Of the BFr 200bn estimated to have been placed secretly abroad by Belgians in the past few years, at least BFr 100bn is thought by both banking circles to have been lodged in Luxembourg. Furthermore, what is impossible even to guestimate is the extent to which these deposits may have grown through investment in Luxembourg's thriving Eurobond market.

On a world scale, BFr 100bn sounds a relatively small sum, but it represents about BFr 10,000 for every man, woman and child in Belgium and is considerably more than the BFr 78bn the Government was able to raise in its recent "economic crisis loan" bond issue to Belgian citizens on preferential terms.

BFr 100bn would also have gone a long way towards the BFr 136bn cuts in Belgium's 1982 projected national budget deficit agreed recently after months of argument between the Government's Christian Democrat and Socialist coalition partners.

Cynics have suggested that the fastest growing and most attractive Belgian financial centre is not in Belgium at all, but offshore in tiny Luxembourg. While an exaggeration the proposition is uncomfortably close to the truth.

All the main Belgian banks have extensive interests there through independent subsidiaries or affiliates: the Belgian Big Three comprising Societe Generale de Banque, Banque Bruxelles Lambert and Kredietbank, and the foreign bank with the longest, most-active history in Belgium, Banque de Paris et des Pays-Bas.

The city of Luxembourg, a sort of banking David, is only a 200-kilometre stone's throw from the Goliath of Brussels, yet it boasts 113 separate banking establishments. This compares with only 83 in the "dominating" partner of the Belgium-Luxembourg Economic Union (BLEU) despite a population 30 times as great and a major industrial and trading tradition.

Moreover, the overall balance sheets of the two countries were virtually equal at around BFr 4,000bn in 1980, of which Luxembourg held about 84 per cent in foreign currencies against 53 per cent in Belgium.

Because of the embarrassing and ironic qualities of the problem there has been a tendency in the past to pretend that the situation would right itself if only left alone.

Not only do bankers shy from discussing the issue publicly because of the subject's emotional political overtones, they find it hard to criticise a successful legitimate banking operation, especially if they themselves are involved.

A succession of Belgian governments have also been reluctant to tackle the BLEU banking problem head on. Luxembourg is crucially important to the domestic Belgo-Luxembourg franc market, because of the BLEU monetary marriage.

Luxembourg also contributes positively to the BLEU balance of payments, though by how much is not publicly known

Belgium

LARRY KLINGER

since figures are always presented jointly. "What can be said," remarked a Belgian banking official, "is that the Belgian balance of payments would certainly be worse off without Luxembourg."

However, the ostrich-like attitude to the Luxembourg Connection is fast disappearing, with the issue emerging more and more in heated debate as the current economic recession in Belgium continues to bite.

For instance, the Belgian authorities felt unable to issue their "crisis loan" without special concessions such as linking it with the European Currency Unit (ECU) as a guarantee against any possible loss of subscribers' capital through a devaluation of the franc and the waiving of inheritance taxes.

Continued pressure on the Belgian franc has also re-opened the debate in Luxembourg over whether its local franc should be allowed to float or be linked with another currency, such as the Deutsche Mark in the event of a Belgian devaluation.

The Luxembourg Connection continues to become embroiled in the Government's efforts to forge an economic recovery, yet the problem is that no one seems able to come up with acceptable overall proposals.

Belgian bankers even lack unity over whether to cut back on the biggest incentive for Belgian tax dodging through Luxembourg: Belgium's own 20 per cent withholding tax, taken at source, with the remaining proceeds to be taxed as part of the investor's total income.

The majority of bankers cautiously support the status quo, preferring to pass the buck to the Government, calling on it to deal effectively with tax fraud and to create the "right climate" for a domestic financial centre that can compete fully with Luxembourg.

The bankers, sticking to their traditional low-profile, are reluctant to enter publicly the political fray, but events may force them to produce a united front and then to press their views.

First, there is a growing awareness that, in addition to State revenue lost to tax fraud, the prospects for general economic recovery are suffering.

Some of the money switched secretly abroad returns through normal banking operations, said one banker "and there are also ways of making black money white again, but these are highly complicated, technical and probably are only available to large companies.

"The fact is that a substantial part of the potential value added to the economy is being sent abroad and then lost for ever. These secret funds and profits are very dangerous to use back in Belgium."

Moreover, several shivers have been sent up the bankers' collective spine as the Socialists have become more successful in pressing their policies within the Government coalition.

The pro-business Christian Democrats led by Prime Minister Mark Eyskens have had to make several important concessions in their efforts to hold the Government together in a time of economic crisis and prevent another General Election unwanted by the majority of the electorate.

A Socialist proposal to increase withholding tax to 25 per cent was only withdrawn after a consensus was reached that the extra state revenue would not be worth the added incentive for Belgians to ship even more funds abroad.

A Socialist measure that was accepted under former Prime Minister Wilfried Martens, however, was the imposition of 6 per cent VAT on gold transactions. "Is that the way to create the climate for a successful financial centre?" exclaimed one banker.

The Luxembourg Bankers Association's guide says: "VAT on gold bullion for investments has been waived with the purpose of promoting the development of gold transactions. The exemption of VAT on physical gold transactions has opened a new field of operations for the Luxembourg banks, at a moment when fiscal measures are restricting them in countries such as West Germany and Switzerland."

The omission of Belgium may have simply been due to an early publication date, but a more likely reason is the continuing reluctance again to point up the embarrassing competition to its BLEU partner.

At least in the short term, however, the uneasy Luxembourg Connection is likely to remain intact, with all its ironies and anomalies.

Advising Belgian investors to deposit funds in Luxembourg is an offence in Belgium that could technically result in a bank's licence being revoked.

"However," said a Belgian banker, "advising someone to do something is quite separate from answering honestly a client's informed questions."

Secrecy lure for rich private customers

Private clients

JOHN MAKINSON

LUXEMBOURG'S privileged position as a neutral and prosperous state in the heart of Europe has been a central factor in its growth as a banking centre. Political stability, a sympathetic government and an excellent location have helped to draw the world's leading banks to this tiny country.

But the location has its drawbacks. As a wholesale banking centre, specialising in eurocurrency lending, it is overshadowed by London. And, as a provider of services to private clients, it meets stiff competition from neighbouring Switzerland.

For the last decade, wholesale banking services have occupied the centre of the Luxembourg stage. Balance sheet growth has been primarily a function of the expansion of the eurocurrency markets. Now, however, the emphasis is shifting slightly. Tightening margins in the international credit markets, coupled with the perception of higher risk on loans to major borrowers like Poland, have depressed profits and increased loan provisions. The banks have taken a close look at their loan books and are pressing for more private client business.

The Luxembourg authorities, dependent on the banks for a large slice of their tax revenues, have been anxious to stimulate the trend. The latest example of their co-operative approach is the endorsement of U.S. style money market funds in the Duchy. The funds, which have grown at a remarkable rate in the U.S. on the back of high short-term interest rates, are designed to attract wealthy private clients to the country.

Shearson Loeb Rhoades, the U.S. brokerage company, has already issued a prospectus for what it calls a "no-load, open-end unincorporated mutual investment fund" which will invest in short-term dollar-denominated money market instruments. If the money market idea proves successful, the principle could well be extended to precious metals and other commodities.

Luxembourg has also introduced legislation which formalises bank secrecy in the country. Until now bank secrecy has been protected by an informal understanding between the commercial banks and the authorities. The new rules give the banks complete confidentiality concerning all deposits made with them.

A further impetus to the private client business has been given by the exemption of gold transactions from Value Added Tax. This has put the Luxembourg gold market at a distinct fiscal advantage over, for example, West Germany, and has prompted the creation of gold certificates, which are negotiable and convertible into the metal. Banque Internationale a Luxembourg and Cie Luxembourgeoise de la Dresdner Bank were the pioneers of this instrument, which has proved popular with both local Luxembourgers and West German clients, and other German banks have since followed in their footsteps. To lend weight to the market, a Luxembourg gold fixing has been introduced. The aim is not, at least initially, to attract the large scale holders of gold, which are still wedded to London, but to build up a private client base.

The foreign banks in Luxembourg are trying hard to find niches in the private banking market which have not been exploited elsewhere in Europe. Certificates of Deposit are another recent idea, though they would hardly seem original to banks in London. So far, at least, they have not won a wide acceptance. Banks are awash with liquidity and are therefore in no pressing need of new funds. And some investors are unwilling to purchase CDs from the subsidiaries of banks elsewhere.

But the area on which banks have probably placed the greatest emphasis is portfolio management. Here, more than in any other activity, they are running headlong into competition with Zurich. The development of portfolio management services is at least partly accidental. Many banks have seen the volume of private client deposits, particularly from Belgium and France, rising sharply over the last year or two.

Banque Internationale a Luxembourg, one of the Grand Duchy's largest banks, reported that deposits by non-banking customers increased by 35 per cent last year compared with an overall balance-sheet growth of 27 per cent. The banks can, of course, use these deposits to fund their loan business or they can place them on the inter-bank market. But, increasingly, they have been trying to persuade customers to place deposits with them for active management. For the bank, this is a lucrative and risk-free exercise. As one banker puts it concisely: "It's someone else's risk."

The extent of Luxembourg's portfolio management business is impossible to quantify as the funds do not rank as deposits and are therefore off-balance-sheet items. They are indeed among the banks' most cherished secrets.

One banker estimates that the funds under direct management in Luxembourg total around \$5bn, of which the majority would be accounted for by the three large domestic banks. Compared with Switzerland, Luxembourg is still in its infancy. The bulk of the money is from what the U.S. banks term "high net worth individuals." The major investors, principally American pension funds and Opec states, have so far stayed away.

The American banks have been particularly energetic in cultivating portfolio management business. Their role in Luxembourg has never been well defined, as Eurocurrency operations are generally conducted from London. Private client business has therefore appeared an obvious outlet.

The manager of one U.S. bank says that 95 per cent of his liabilities are accounted for by client deposits, of which the great majority is nominated in dollars. The deposits are used in part to service the needs of the bank's other branches, but they can also be employed as a foundation for portfolio management operations.

Luxembourg banks have some advantages over Switzerland in this area. For example, the service is almost always cheaper. Banque Internationale a Luxembourg, a leader in the field, charges a commission of 0.3 per cent on funds of up to Lux Frs 5m, falling to 0.05 per cent on portfolios over LuxFrs 20m. Bankers say that private clients receive a more personal service in Luxembourg than they would in Zurich and that the geographical diversification away from Switzerland is appealing. Luxembourg is unlikely to impose the capital controls and negative interest rates which were a feature of Swiss currency management during the 1970s. Some of the more far-fetched Luxembourg bankers are even inclined to cite the quality of the cuisine and friendliness of the people as a reason for coming to the Grand Duchy.

But cooking will never make Luxembourg a viable challenge to Zurich and even its most vociferous optimists do not envisage that it will rival Switzerland in the foreseeable future. Private client business requires a degree of expertise which Luxembourg does not yet possess. One banker, now fairly prominent in the field, says that he is unable to take any investment decision without first consulting head office. Because of the lack of local investment experience, the range of services offered by Luxembourg banks is frequently limited. Bank of America, for example, will not touch commodities in Luxembourg and Credit Suisse concentrates on the management of fixed interest securities.

The tax environment is certainly conductive to portfolio management. There is no withholding tax deduction and bankers never inquire into the tax position of clients in their country of residence. But many of the largest banks, while aware that they need to generate more fee income to offset the lower spreads on lending, are equivocal about private banking. Herr Volker Burghagen, managing director of Cie Luxembourgeoise de la Dresdner Bank, says that his private clientele has never been a noteworthy contributor to the bank's profits. Until the sheiks and the pension funds decide that they need Luxembourg, his view is likely to be that of most of the large foreign banks in the Duchy.

Authorities refuse to risk image of 'dirty money laundry'

Regulation

PETER MONTAGNON

IT IS a common misconception that Luxembourg developed as a banking centre because it was a tax haven. That is far from being the case.

Corporation tax in Luxembourg is actually relatively steep at 48 per cent. What has attracted the banks to the Grand Duchy is the relatively unregulated business environment.

Two ground rules for banks in Luxembourg are that capital and reserves must be at least 3 per cent of deposits and that a bank must hold 30 per cent of its assets in liquid form.

There are no reserve requirements—indeed the absence of a central bank would make it virtually impossible to levy such requirements and the planned Luxembourg Monetary Institute will certainly not have the power to do so.

These basic factors have made of Luxembourg a relatively favourable place for the conduct of international loan business. As its role as a banking centre has grown the Luxembourg authorities have perceived more and more that it is in their own interest to see that the business climate for banks remains favourable.

The economy of the Grand Duchy depends heavily on the banks. They employ 5 per cent of the labour force and pay 80 per cent of the profits tax levied in Luxembourg, which represents about 15 per cent of total fiscal revenues. Dresdner Bank International has emerged as the Grand Duchy's largest single payer of profits tax.

Other key sectors of the country's economy—steel and agriculture—are currently in steep decline and this will make Luxembourg even more dependent on its banking industry in the future. The authorities are thus taking steps to preserve the health of the banks, particularly now that they are going through a rather difficult period.

One result of this has been the legal formalisation of bank secrecy, which came into effect in April. This gives bankers the same rights to professional confidentiality as other professional classes such as lawyers and doctors. But there is a proviso that the Government reserves the right to collect information relating to the concentration of loan portfolios in order to be sure that banks are not piling up excessive exposure with risky creditors.

The formalisation of bank secrecy is designed to hasten the diversification of Luxembourg, traditionally a wholesale banking centre, into the area of private retail banking.

Equally important in this respect is the recent decision to allow the development of money market funds in Luxembourg. Already Shearson Loeb Rhoades has announced plans to set up such a fund by profiting from the new authorisation for investment holding companies to invest in money market instruments and precious metals as well as traditional securities.

But in improving the environment for banks Luxembourg is also acutely conscious of the need to maintain its sound reputation as a banking centre. It wants neither to be tainted with Switzerland's much publicised reputation for "laundering dirty money" nor to allow fly-by-night institutes to open up shop there.

With the exception of the Luxembourg subsidiary of West Germany's Bankhaus Herstatt, which was closed at the same time as the parent bank collapsed, there has never been a bank failure in Luxembourg.

New banks wishing to set up business in Luxembourg are carefully vetted by the office of the country's Banking Commissioner, Mr Pierre Jaans. Their books are regularly examined once they have opened for business, but there is no central bank to act as lender of last resort.

Luxembourg officials see such an institution as unnecessary because most of the banks are in any case subsidiaries of foreign banks under the ultimate responsibility of the parent bank's central bank.

But the Grand Duchy is trying to improve its supervisory powers to make sure that it can cope with any difficult situation that might arise and protect its reputation for sound banking.

Under new legislation, external auditing of bank's accounts is to become compulsory for the first time, although during a transitional period the so-called statutory auditors (internal inspectors appointed by the bank) may substitute for external auditors so long as they are qualified accountants and demonstrate that they do examine the bank's books carefully and regularly.

The Banking Commission is also seeking to expand its powers of intervention in cases where a bank gets into difficulties.

Effectively this will allow it to assume management of a bank in an emergency. Such a situation could, for example, arise where the parent bank abroad is in trouble but the senior management and directors of the Luxembourg bank are out of the country.

Despite these changes it seems unlikely that banks will be prevented in future from the maintenance of hidden reserves. There is no legal basis for such reserves in Luxembourg, but the Banking Commission traditionally takes a lenient view of a bank's desire to protect itself against potential future losses in this way.

This does not involve loss of tax revenue in the long run. If a loan against which hidden provisions have been made turns out good after all the fiscal authorities are able to levy tax on the profits absorbed when the reserve was first created. They are in any case some four to five years behind with the inspection of banks' annual accounts.

Nor does it appear likely at the moment that the much rumoured increase to 3.5 per cent in the capital requirement will in fact be instituted.

Questioned on this point in a recent interview, Dr Jaans said he was considering for the medium term reforming the definition of the ratio to apply it to assets rather than to liabilities. A blanket ratio of 3 per cent on liabilities penalises those banks which hold most of their assets in the form of interbank deposits, while banks which are heavily lent over the long and medium term should have a higher capital ratio.

Changes such as these inevitably give rise to complaints from time to time that Luxembourg is beginning to be over-regulated. In fact little is being done in Luxembourg that is not broadly in line with changes in bank regulations elsewhere.

One area where Luxembourg is, however, behind other countries in a way that does tend to hurt the banks is in the negotiation of double tax treaties allowing banks to offset tax paid abroad against their tax liabilities in the Grand Duchy itself.

Mr Ernest Muehlen, Secretary of State at the Finance Ministry, said he expects soon to have completed 18 double taxation treaties, a small number for an international centre. But Luxembourg has little to offer its partners in return for such treaties. As a small country it is also short of skilled international negotiators.

The lack of double taxation treaties has in the past made lending less attractive to countries, particularly South American, which levy withholding tax on interest. U.S. and UK banks can easily claim such tax as a tax credit at home and since the borrowers normally absorb the tax themselves, passing the payment certificate on to the lending bank for presentation to its own tax authorities, the loans are less profitable for Luxembourg based banks than they are for UK and U.S. banks.

To compensate for this, banks are allowed exemption from Grand Duchy profits tax on 15 per cent of the profits earned from operations in countries where there is no double taxation treaty.

Reputation dulled by interest rates and tight margins

German banks

JOHN MAKINSON

FEW WEST German bankers would dispute that the past two years have been the most difficult in post-war history. Three of the country's four largest banking institutions have reported lower profits for 1980 and one, Commerzbank, has committed the unthinkable by omitting its dividend.

The solid reputation of West German banking has been dealt a grievous blow by the upward spiral of international interest rates, forcing huge write-offs in securities portfolios, and the squeeze on international banking margins. The Luxembourg subsidiaries of the German banks, which can account for as much as a quarter of a consolidated balance sheet have been by no means immune from the difficulties. In several instances, they have probably stood squarely at the heart of the problem.

The most seriously affected of the German banks in Luxembourg was undoubtedly Commerzbank. Its 1980 accounts show that outgoings on interest and commission transactions exceeded revenues in this area by LuxFr 957m, equivalent to around 4 per cent of total interest and commission revenues. The shortfall has been made good by a transfer from the parent banks, but the damage has still been done.

For the Luxembourg authorities, the performance of the German banks posed a serious headache. They are by far the largest single banking group in the country, accounting for 29 of the 113 banks represented. The morale of the banking community was depressed further when Herr Paul Lichtenberg, then Commerzbank's acting managing board spokesman, was quoted as questioning the value of the bank's Luxembourg subsidiary. The closure of a Luxembourg bank such as Commerzbank would deal a serious blow to the Duchy's status as a banking centre, even though the decisions which led to its difficulties were taken at head office in Frankfurt.

The dust has now had time to clear and the position of the German banks in Luxembourg looks by no means so bad as might have been supposed. Herr Volker Burghagen, managing director of Cie Luxembourgeoise de la Dresdner Bank, the largest and longest established of the German banks in Luxembourg, accepts that matters will get worse before *they get better.* The mismatching of variable rate deposits against fixed rate loans, which was a root cause of the recent difficulties, cannot be corrected overnight. And the banks will have to wait until next year at least for many of their low-yielding fixed-interest securities, notably Schuldscheine, to mature. If interest rates remain high, the write-offs will continue.

Yet, Herr Burghagen along with other leading German bankers in Luxembourg, remains confident of the future. The priorities may change, with balance sheet growth now low on the list, but the the banks—including Commerzbank—are in Luxembourg to stay.

Most of the German banks are continuing to show healthy profits. Herr Burghagen points out that, while the net profits of his own bank fell to LuxFr 766m from LuxFr 1.06bn in the year to March, it will still pay more corporation tax than any other Luxembourg bank has ever incurred.

Several banks have actually increased their earnings. Badische Kommunale Landesbank International, one of the smaller German banks in the Duchy, increased its profits from LuxFr 31m to LuxFr 71m in 1980. The contrast between the performance of different banks is partly a reflection of the wide range of banking activities now undertaken in Luxembourg.

German banks arrived in large numbers around 10 years ago, principally to avoid the minimum reserve requirements imposed by the Bundesbank in Frankfurt. Luxembourg, which has no central bank, imposes no such requirement and also permits a fairly generous 33 to 1 ratio between total assets and capital. Since then, however, more specialised functions have been developed.

Dresdner Bank is much the most diversified of the German banks in the Duchy. In addition to the syndication of eurocurrency credits, the bank is active in the bullion and foreign exchange markets, participates in direct lending to clients in Germany and has even developed a negotiable gold certificate in conjunction with the local Banque Internationale a Luxembourg.

This breadth of activity has allowed it to weather the storms of the syndicated credit market. And its size has enabled it to take lead management roles in credits, generating fee income to offset the lower margins. Last year's decline in profits was due as much to the decline in bullion earnings from the exceptional levels of 1979 as to the tight conditions in international lending.

Other banks are more determinedly wholesale lending institutions. The Landesbanks, for example, do not have the domestic client basis to operate private banking services efficiently. Westdeutsche Landes*bank Girozentrale, the largest* bank in this category, concentrates on straightforward international syndicated lending, supplemented by export credit business and short- and medium-term lending back to Germany.

Its managing director, Herr Senff, says that the banks need to be highly conscious of margins and will not seek balance-sheet growth for the sake of it — a refrain echoed by almost all German banks in the Duchy.

The lack of a private client base also means that Westdeutsche is more dependent than many other banks on inter-bank funds to finance its loan book. Over 90 per cent of its liabilities are accounted for by inter-bank deposits. At Dresdner, by contrast, deposits by corporate and private customers represent 20 per cent of the balance-sheet total. Herr Burghagen says that these deposits are not necessarily cheaper than the inter-bank market, but he is anxious to broaden his refinancing base.

The mismatching problems of the past few years have caused all the banks to examine carefully the maturity and risk profile of their balance sheets. At Bayerische Vereinsbank, the joint managing director, Herr Hans Meyers, says that the overwhelming majority of his loan book rolls over within six months and the percentage of non-bank liabilities has been pushed up to 15 per cent of the total from around 3 per cent a few years ago. Bayerische is one of the German banks which has made a speciality of taking in fiduciary deposits through Swiss banks, an activity which Herr Meyers finds highly profitable.

Bayerische fits somewhere between Dresdner and Westdeutsche in the scope of its activities. It offers nothing like the range of Dresdner but has developed specialised profit centres, such as money market arbitrage, to supplement its lending activities. And, like Dresdner, it has begun to issue negotiable gold certificates—attractive in Luxembourg because of the absence of VAT on gold transactions.

At the other end of the scale are a small number of small private banks which operate in *Luxembourg only to service the* needs of private clients. Generally late arrivals on the scene, they take little if any part in the syndicated credit market and for the most part remain highly profitable.

The divergence in the published profits record of the German banks is not just a function of their range of activities, or of the quality of management. Luxembourg has relatively relaxed accounting standards and banks have considerable latitude to adjust their figures to any prevailing wind. One German banker in the Duchy admitted privately: "Don't bother to examine my figures too carefully. They won't tell you much."

Deutsche Bank, for example, reported a collapse in profits from over LuxFrs 550m to nothing last year. The bank is engaged almost exclusively in syndicated lending and has almost certainly needed to make significant provisions against its Polish debt but, as its Frankfurt parent is still showing untypically high profits, no one supposes that its reported profits reflect the true picture.

This massaging of profits is not possible for all banks. As the manager of one small German bank put it: "Deutsche can afford to produce zero profits in Luxembourg. If I go to London to do business, I carry my balance sheet under my arm and the absence of profits would raise a few eyebrows."

Herr Burghagen is opposed to the juggling of figures practised by several of his competitors. He would favour a tightening of local auditing standards, with the use of independent, external accounting firms being made compulsory. Luxembourg, he says, "needs continual confirmation of its role as a real banking centre, and not just as a booking centre."

The fear which he voices is a real one. Luxembourg imposes a relatively steep corporation tax and some German banks are already contemplating the possibility of converting some their business elsewhere. Loans could be arranged in Luxembourg but booked through a lower-tax area, particularly the Far East, to minimise the tax liability.

This approach would create difficulties, including time differences and the possibility of political upheaval in the booking centre. And the need to refinance the loan in the tax shelter could present funding problems and some duplication of capital requirements to meet *local capital ratios. But the* opportunity is still a tempting one.

For the moment, however, German banks have more immediate preoccupations. In particular, they are faced with the prospect of greater regulation and a tightening of their capital ratios. The Bundesbank and the West German banking authorities have long been concerned by the lack of information they receive about the subsidiary operations of German banks, particularly in Luxembourg. The banks have now agreed to provide the German authorities with comprehensive information from autumn of this year, extending an existing "gentlemen's agreement" between Luxembourg banks and the Banking Supervisory Office in West Berlin.

The agreement is seen by many as the prelude to more direct control over Luxembourg subsidiaries. The German authorities have already laid plans for imposing capital ratios on the subsidiaries of German banks. At present, banks within West Germany must maintain a ratio of 18:1 between their total liabilities and their capital base. In Luxembourg, the ratio is a more generous 33.3:1.

German bankers in the Duchy would be strongly opposed to an extension of the 18:1 rule to Luxembourg. Herr Burghagen says it would be absurd to impose the rules of 20 years ago, when the 18:1 ratio was devised, to contemporary banking business. Whatever the eventual outcome of the German deliberations, the banks may in any case need to apply more stringent ratios in Luxembourg to conform with EEC guidelines. The banking commission is already giving consideration to a gradual increase in capital ratios.

The banks are happy to talk about the capital ratio issue, but one German banker at least says privately that the issue is a red herring. "The German banks are using the capital ratio question to justify the very slow growth of their balance sheets. And that slow growth is a result of the hectic growth rates of the 1970s, which have come home to roost in the past couple of years."

A need to strike the balance between dollar and the mark

Money market

JOHN MAKINSON

LUXEMBOURG HAS never rivalled London as an international market for money, and almost certainly never shall, but in the past decade it has developed into a relatively sophisticated centre, a source of funds for the fast growing business in international lending.

It remains, however, a peculiarly unbalanced market. Very few banks stand evenly on both sides of it. Most are in Luxembourg either to give or to take. And, in currency terms, there is a significant imbalance between the role of the Deutsche Mark, which dominates the Luxembourg scene, and that of the dollar, which takes a back seat.

The lopsidedness of the market reflects the enormous strength of the German banking community, which uses Luxembourg to conduct syndicated credit business and DM corporate lending back to Germany. These banks are unable to generate the funds they need from their own client base and are consequently very dependent on the local inter-bank market.

It is common for German banks to refinance 90 per cent or more of their lending requirements on the inter-bank market. Scandinavian banks, too, are significant takers on the market, using the funds to service the borrowing needs of their own corporate clients.

On the other side of the market stand the large Swiss banks, which are the largest single group of providers. They have been drawn to Luxembourg largely to channel the enormous fiduciary funds placed with their parent banks, often by private clients. Their direct lending activity, by comparison, is small. The U.S. banks are also net providers to the market, and maintain high levels of liquidity in their balance sheets. But their role is nothing like so important as that of the Swiss.

The only large banks which stand regularly on both sides of the market are the domestic institutions. They are active in both dollars and DMs but also maintain a substantial market in Belgian francs, which has been growing very strongly over the past 18 months. Belgian clients, which are subject to withholding taxes on domestic deposits, have preferred to channel their funds through Luxembourg, and sometimes the Netherlands. These Belgian franc deposits can then be lent back to the market or used to refinance credits.

The unusual structure of the Luxembourg market is well documented in the quarterly statistics of the Banking Commission. In April of this year, 56 per cent of the banks' foreign currency assets were accounted for by deposits with other banks. A further 36 per cent was accounted for by customer advances.

On the other side of the balance sheet, however, the picture changes slightly. Foreign currency liabilities to other banks amount to more than 82 per cent of the balance sheet total, compared with a figure of only 14 per cent for deposits by customers. The figures show clearly that Luxembourg as a banking centre remains a net borrower of funds from other centres, with the Swiss and other supplier banks not able or willing to meet the requirements of the Germans and Scandinavians.

The same picture emerges from the balance sheets of individual banks. Westdeutsche Landesbank International, one of the largest German banks in the Duchy, is dependent on other banks for 84 per cent of its total current liabilities, while current and deposit accounts represent around 5 per cent. But its own deposits with other banks total less than 30 per cent of its assets. At Credit Suisse, by contrast, lending to other banks represents well over half total assets.

The Banking Commission figures also point up the disproportionate role of the Deutsche Mark in Luxembourg. Deutsche Marks accounted for 45.2 per cent of Euro-currency assets in the final quarter of last year and 38.2 per cent of Euro-currency liabilities. The dollar has recently overtaken the DM on the liabilities side because of the extreme weakness of the German currency on the foreign exchange market.

By comparison with the Euro-market as a whole, however, the DM's role is exceptionally large. In the principal European centres taken together, the DM accounts for only 16 per cent of assets and liabilities.

Ideally Luxembourg would overcome the imbalances in its money market by tapping other sources of funds and developing a swap market in currency time deposits. Some banks have moved along this road by attracting funds from other subsidiaries in the Middle and Far East. Others have been developing a degree of specialisation in their money market departments. Bayersiche Vereinsbank, for example, has an active business in short term swaps.

But there are important structural limits to the progress which can be made. Luxembourg is not a foreign exchange centre and bankers admit privately that it shows not much sign of becoming one. Far more foreign exchange business is done in the neighbouring centres of London, Brussels and Paris.

This is itself an inhibition on the growth of a more efficient money market. But the size of Luxembourg as a banking centre is an additional constraint. For an effective market in swaps to develop, the number of participants would need to grow and, in particular, more banks would have to be ready to play both sides of the market. At the moment, many bankers claim that it takes too long to match a position for the exercise to be worthwhile.

The Luxembourg money market is unlikely to become more sophisticated in the current interest rate climate. Movements in rates and in currencies are too great and too sudden for a dealer to afford to hold an uncovered position, even very briefly, in the market. And, as Luxembourg bankers admit, the country's dealers do not yet have the experience and expertise of their London counterparts in, for example, calculating discounts on forward currency transactions.

In addition, Luxembourg has not yet succeeded in attracting heavyweight depositors—principally OPEC countries and central banks — in sufficient quantity. The main European centre for large deposits remains London by a wide margin.

Alan Friedman looks at the workings of Cedel, a fund-clearing house formed by a consortium of international banks

An international operation

"THERE are a *lot of* misconceptions about Cedel, mainly that it is a Luxembourg company. I like to feel that Cedel is an international company operating from Luxembourg."

These are the words of Joe Galazka, managing director of the international securities clearing system which has made its name as one of two highly competitive Eurobond clearing houses.

The other house is Euro-clear, which is operated under contract by Morgan Guaranty Trust and has, as even Cedel admits, overtaken Cedel in recent years.

Cedel's full name is "Centrale de Livraison de Valeurs Mobilières SA." It was formed in 1971 by a consortium *of international* banks led by several Luxembourg banks.

The chairman is Edmund Israel, who came from the Banque Internationale à Luxembourg (BIL) and is still a director there, while 94 banks and financial institutions from 16 countries make up Cedel's roster of shareholders. The board of directors comprises 33 representatives of the financial institutions.

Of this board, nine representatives serve as an Executive Committee chaired by Mr Israel. But the executive day-to-day management is led by Mr Galazka.

Cedel is a clearing system, analogous to the computerised clearing system used for equities by the London Stock Exchange. Instead of stock market shares, however, Cedel participants use the system to clear Eurobonds, Yankee-bonds, London and Asia dollar tranche CDs, convertible bonds, floating rate notes and other securities offered in the international market.

In the eight months to August this year, Cedel's turnover was around \$80bn according to Mr Galazka, equal to the total volume in 1980. But profits for the first half year were only \$334,000, he added, since Cedel is not geared to making a profit and prefers to channel its income back to the participants through reduced fees.

"We are a service entity, not a profit-making entity," *Mr Galazka claims.* "The purpose of the business is that we remain a service company and not a profit-chasing entity."

Cedel, he says, has lowered its fees eight times in the past decade and he cites this as evidence of its desire to serve customers.

Then, reflecting the sometimes bitter mood existing between Cedel and its competitor Euro-clear, he comments: "The important difference between ourselves and Euro-clear is that we have no master, no commercial bank which controls us."

But Mr Galazka admits that Euro-clear has, in some areas, stolen a march on Cedel. "Euro-clear is run by a U.S. commercial bank and they understood the needs of the market faster than we did. They gave financing to market makers faster than we did," he explains.

This is a reference to Euro-clear's ability to provide lines *of* credit to Euromarket participants. Cedel now offers such lines of credit as well, but the service operates through a third party bank while Cedel just monitors collateral.

In a high-stakes market such as Eurobonds, the ability to help provide ready finance is a key selling point. Says *John Croker, the recently-*appointed London representative of Cedel: "Euro-clear really handed it out in a very generous fashion. They have, in the past five years, made very great strides over us. They marketed their product better than we did."

London, according to Mr Croker, still tends to see Cedel as a Luxembourg-based company with its main business centered around Continental banks. But it is not so, he says.

"We are an independent co-operative clearing house. We are not owned by any one bank," *argues Mr Croker.* Cedel's computerised services are more advanced and more efficient and services are actually cheaper, he claims.

Cedel is now *planning to* build up its London reputation. "We are going out and aggressively marketing ourselves. A lot of people are not aware of our services," he says.

For Mr Croker, with experience as a jobber, stockbroker and Euromarket trader, this should be feasible. His chief in Luxembourg Mr Galazka spent 26 years with Merrill Lynch, most recently as director of Euromarket trading, before joining Cedel on January 1, 1981.

There can be little doubt but *that* the competitive atmosphere between Cedel *and Euro-clear will get even* fiercer in the next few *months. The stakes are high* and each system believes it is the better *one. In the* Euromarket, the participants praise both Cedel and Euro-clear equally, there are criticisms of both houses.

Meanwhile, the market is going through a rough patch. Mr Galazka reckons that although there are 10 per cent fewer transactions this year each transaction is larger, thus accounting for higher turnover.

"Today the normal bond issue can be \$100m or \$150m. This was unheard *of two years* ago," he says.

As *long* as a *Euromarket* exists it is a sure bet that *Cedel (and Euro-clear) will* be around to provide the requisite services.

The Grand Duchy's unusual Stock Exchange—housed partly in converted flats in an apartment block

Rapid increase of securities but low turnover

Stock exchange

PETER MONTAGNON

THE LUXEMBOURG Stock Exchange must be the only exchange in the world to boast five bathrooms. Housed in an apartment block above a busy shopping street in the city centre it has spread its wings beyond its tiny trading floor into offices converted from five residential flats.

The immediate impression gained by the visitor as he dashes in and out of lifts, up and down stairs and in and out of five separate front doors is that here is an exchange that hardly befits an outward-looking and dynamic international financial centre.

Luxembourg's Stock Exchange had the misfortune to begin operations in May 1929. Within months there was the Wall Street crash and the exchange *remained more or less* moribund until the mid-1960s, when the Eurobond market got *under* way. "Then," said one official, "it really came to life." Its life has remained an unusual one, relying not so *much* on a growing volume of trading as on a rapid increase *of the securities listed.*

By mid-1981 the exchange boasted no *fewer* than 1,625 securities quotations. Of these 1,343 are international bonds (including convertible issues and separately traded warrants). Also *listed are* 70 domestic bonds issued by the Government or local corporations and 196 companies of which 83 are incorporated in Luxembourg.

The exchange does not publish figures on turnover recorded during its two-hours-a-day trading sessions. While its *annual report* for 1980 said that the volume of business had increased by around 12 per cent, the suspicion remains that the actual turnover level remains embarrassingly small.

Bankers who follow the stock exchange *closely suggest* that in fact only some 10 to 15 per cent of the total securities listed are traded on any one day — and then only in small lots.

This seems something of a pity for a city with pretensions to rank among the *important* financial centres of the world — especially now *that* Luxembourg is trying so hard to woo the private investor.

It would be too much to expect that Luxembourg, a country *of* only about 350,000 inhabitants and measuring a *mere 50 miles* from north to south, should have a natural pool of investors willing to trade actively on the exchange.

There are also very few local concerns large enough to need a stock market quotation. Luxembourg's best known industrial name, the steel concern Arbed, was the most actively traded local share last year but its value plunged to *LuxFr* 1,230 *from LuxFr* 2,104 as a reflection of the severe difficulties of the steel industry.

Similarly there seems to be little point in trading the shares of *foreign* companies *on the* Luxembourg exchange when they can *often* be *more* easily traded on their own domestic exchanges. *As for bonds, most* business is nowadays conducted on the telephone rather than being channelled through the exchange itself.

Yet the Luxembourg exchange does play an important role in the Grand Duchy's financial life. It has found itself a peculiarly useful (and relatively lucrative) niche in simply providing a listing opportunity for international bonds, though not generally D-Mark and Swiss Franc issues which are listed on their domestic bourses.

It is a well-known feature of the international bond markets *that* the most *active* trading takes place in new and relatively new *issues. Market* makers who do their business on the phone do not tend to deal in issues that may have been launched more than 10 years previously.

But holders of the bonds, *particularly pension funds and* other institutions, need to know the worth of their paper for portfolio valuation purposes. Some institutions cannot buy unlisted securities. A listed bond with a quoted price is thus a much more marketable security than an unlisted one.

Luxembourg was able to offer this service from the very out*set of the Eurobond market* because it was free to list loans in foreign currencies, *including* the composite currency units *that* enjoyed a notable spell of popularity in the early days of the market.

More recently London has also begun to list Eurobonds, but Luxembourg remains a very attractive listing centre not only because of its lack of withholding tax but also for the speed and cheapness with which a listing can be arranged.

The exchange fee for listing bond issues varies according to the amount and maturity of the paper. The maximum charge is *LuxFr* 260,000 and the average about half that figure.

This is a one-off charge, whereas the fee for a share listing ranges up to *LuxFr 50,000* annually. Share listings can be arranged at relatively short notice. A basic requirement is that a corporation must have a net asset value of at least LuxFr 100m.

One development which has been noticed in recent months in Luxembourg is an increase in listing requests for small oil- and gas-related businesses. The objective is not so much to raise capital on the Luxem*bourg exchange as to provide* access to the unofficial market in London.

Under London Stock Exchange rules over-the-counter *trading is not permitted in* mineral exploration companies unlisted elsewhere that are active outside the UK and have not been in existence for at least three years.

As part of its attempt to boost interest the Luxembourg Exchange recently introduced a daily gold fixing—but it is also trying to boost turnover.

That it has met so far with *only limited success* is in part a reflection of the way the bond market prefers to do business —but it does also perhaps underline the basic artificiality of Luxembourg as a financial centre.

LUXEMBOURG QUOTED SECURITIES

(END-YEAR TOTAL)

	All	Shares	Domestic bonds	International bonds
1970	644	165	47	432
1971	724	170	45	509
1972	806	172	44	590
1973	842	165	47	630
1974	870	159	44	667
1975	978	152	47	779
1976	1,163	152	50	961
1977	1,327	162	57	1,108
1978	1,399	165	58	1,176
1979	1,492	169	63	1,260
1980	1,557	178	67	1,312

Improved trading interest stems from VAT-free dealings

Gold

DAVID MARSH

LUXEMBOURG BANKS see the expansion of their gold trading activities as just one more way of extracting further financial fortune from the Grand Duchy's fortuitous location at the crossroads of Europe.

The omens were not particularly good when Luxembourg started its own daily gold fixing session in March, as part of a move to put the Grand Duchy on the map as a bullion centre. With the metal still firmly in the doldrums on the way down from its peak price of $850 in January 1980, turnover started off extremely modestly this spring.

But trading interest—though still low by international standards—has since improved. This is partly because events in neighbouring countries are making Luxembourg's status as a tax-free, discreet and secure bullion centre increasingly attractive for foreign investors wishing to sink money into gold.

The Grand Duchy removed Value Added Tax from transactions in gold bars and coins at the end of 1978. It is thus the only major European financial centre where gold has been hauled out of the fiscal net. Switzerland and West Germany both introduced taxes on gold transactions at the end of 1979; in Britain gold bar trading (although not in coins) is subject to VAT; while Belgium has brought in a 6 per cent tax on gold purchases from this month.

But it is not only the absence of taxes which accounts for Luxembourg's increasing popularity as a delivery point on the international gold market.

Strict banking secrecy provisions (somewhat tighter than in Switzerland) make Luxembourg a good place to store gold for investors who want to keep details of their private wealth away from the eye of governments. This applies particularly to the French.

Exports and imports of gold into and out of France are prohibited under the exchange control regulations brought in after President Mitterrand's victory—and well-off Frenchmen are especially wary of giving the government details of their wealth now that it is to be taxed.

Smuggling of gold across the France/Luxembourg border undoubtedly has taken place since the French general elections, although the bulk of illegal financial transfers out of France is thought to have been with Swiss banks in the Geneva area.

Along with safety from government investigators, some enthusiastic gold investors, particularly in Germany, also value the Grand Duchy's relatively secure strategic position well away from the Eastern bloc.

One Luxembourg bullion dealer estimates that about 75 per cent of German clients who buy gold via the Grand Duchy actually leave their holdings there rather than bring them back into the Federal Republic. This is partly because of fears of Russian tanks rolling into Frankfurt, he says.

The banks admit that small retail cusomers make up the bulk of the users of Luxembourg's gold markets. There is no pretension of a wholesale market to rival anything like the size of London or Zurich. "The turnover at the daily gold fixing is hardly worth mentioning," one dealer admits.

A total of 22 institutions operate the fixing session but only around half are active—and many banks are thought to trade at the fixing purely in order to establish a presence, rather than because they have firm orders to execute.

Most trading is carried out in Krugerrands and kilo, 500 gramme and 100 gramme bars, emphasising the small-scale nature of the gold business. The 12½ kilo "international bar" is traded at the fixing but is not standard for general dealings.

Between 33 and 40 per cent of Luxembourg's 130 or so banks are believed to be active in gold, to a greater or lesser extent. The main participants can be grouped into three categories:

● *Indigenous retail-oriented* banks such as Banque Generale, Banque Internationale and Kredietbank, with their traditional large base of small clients. These banks hope particularly to garner business from Belgium now that the Belgian gold tax has taken effect. The traditional Belgian dentists who have always channelled their capital market savings via the Grand Duchy to avoid Belgian withholding tax will now presumably be doing the same with their gold purchases.

● The German Eurobanks, which are now responsible for carrying out business, directed to them by their head offices, with many large and small clients from Germany. These banks are wholesale money operations which lack the counter facilities of the retail banks. So many—led by the subsidiaries of Dresdener Bank and Deutsche Bank—have introduced gold certificates which allow investors to buy claims of definite amounts of bars or coins without actually taking physical ownership of the metal. The German banks also have a few larger wholesale clients — including some Third World central banks.

● The Swiss bank subsidiaries also take part in the Luxembourg market as part of the dealing operations centralised in Zurich. But their activity is not thought to be as large as that of the first two groups.

For much of this year, small German clients have shown little interest in gold because of the depressed price. Dealings have been dominated by professional traders. This was in direct contrast to January 1980 when, immediately after the imposition of VAT on gold coin transactions in Germany, a large amount of krugerrand deals were diverted the Grand Duchy's way.

Speculative purchases are still small compared with the 1979-80 period of gold fever. But, according to dealers, a new breed of private clients has emerged, who are prepared to buy small but steady amounts as part of a constant investment strategy.

Luxembourg appears unlikely to kill the golden goose by reimposing VAT on gold transactions. This is in spite of an EEC directive on the harmonisation of taxes within the Community, which foresees eventually that different EEC tax levels should be brought into line. (Britain, for instance, which also has anomalous VAT levels for gold, will have to consider whether or not to harmonise tax rates at the end of the transition period which finishes next year.)

The Luxembourg authorities believe that a reintroduction of VAT would be counterproductive. Although it would boost tax revenues in the short term, in the long run, they believe, it would dampen the overall growth of the banking business and thus weaken the profitability of a sector which is the Grand Duchy's main source of tax revenue.

Indeed, the banks are pressing the authorities to move in the other direction by removing VAT from dealings in silver and thus allow it to be freely traded along with its sister metal.

The Luxembourg Banking Commission occasionally comes under pressure from other countries — mainly Germany, although France may now also start to complain — to alter its tax rules. But the message from the Grand Duchy remains that it will uphold its independence to run the banks the way it—and not its powerful neighbours—see fit.

This more independent role in international monetary affairs is underlined by the setting up of the Luxembourg Monetary Institute separate from the Belgian National Bank.

As a little-known feature of the plan—part of the agreement to extend the Belgo-Luxembourg economic union for another 10 years—Luxembourg will have, as part of its future independent monetary reserves, its own gold holdings, separate from Belgium's. They total roughly 14 or 15 tonnes, built up through purchases since the 1939-45 war, the last of which was made during the 1960s.

Gold bullion in the Paris vaults of the Banque de France. Transfers of gold into and out of France are prohibited under the exchange regulations brought in since President Mitterrand's election victory, but smuggling of gold across the border with Luxembourg undoubtedly has taken place since the elections

Lending margins likely to stay narrow

The future

PETER MONTAGNON

IT IS COMMONLY suggested in Eurocredit market circles that margins on international bank lending are at their lowest when interest rates are high.

This theory rests on the assumption that borrowers are particularly concerned at the overall cost of borrowing when basic interest rates rise. When interest rates fall they are more able and willing to give something back to the banks in the form of higher margins and fees.

There is no scientific evidence to prove such a theory but it derives at least some empirical support from the events of the past two years. For Luxembourg the twin problems of low Eurocredit margins and high interest rates have been particularly damaging.

What are now the prospects for a return to normal business conditions in international banking? In the short term there is no escaping the fact—and Luxembourg bankers are fully aware of this grim reality—that there is little chance for a recovery of profitability in traditional wholesale banking activities.

Taking margins first, they say that low spreads are a function of liquidity in the Euromarket. It is abundantly clear that this liquidity has been given a substantial boost from the rapid rise in oil prices and the ensuing balance of payments surplus of oil exporting countries, which is estimated at more than $110bn last year and only slightly less than $100bn this year.

Competition among lending banks around the world to recycle this money has led to fierce pressure on margins so that even some developing countries in the Far East are able to borrow at a spread of less than ½ per cent.

According to one senior banker in Luxembourg it will take two or three years for this liquidity to dry up. In the meantime there is little prospect for a recovery in lending margins even if they have now largely stopped falling.

German banks in Luxembourg largely stopped lending in the Eurocredit market last year. They say that with the impending consolidation of their accounts they would need a margin of at least ¾ per cent to break even, a level that looks like being out of reach for the better-rated credits for some long time to come.

Similarly, hopes for a decline in interest rates have been dashed many times in the past.

High interest rates have hit Luxembourg hard because of its importance as a bond dealing centre. Many banks have large amounts of fixed interest paper on their books and, write-downs of these holdings have been a significant factor in the squeeze on profits.

The key to any decline in world interest rates lies in the U.S. where administration promises of lower rates have been met with increasing scepticism on Wall Street.

Wall Street analysts reckon that the U.S. budget deficit next year now looks like being so large that it will prevent any significant decline in dollar rates. This would hold up interest rates on other currencies too, and incidentally support the value of the dollar on exchange markets.

The U.S. currency's appreciation has been a particular problem for international banks whose capital is expressed in other currencies (such as Luxembourg francs) as the rise of the dollar automatically bloats their total assets, undermining capital gearing ratios.

Even if U.S. interest rates did drop there are also some doubts about the leeway for a decline in D-Mark rates. Germany not only has a large current account balance of payments deficit, it also faces problems financing its Government spending. These two factors are generally thought to imply the need for continuing high D-Mark interest rates.

Banks in Luxembourg will thus have to live with their present interest rate problems for some time to come. Loans extended on low fixed rates of interest will take time to run off their books and meanwhile they are often having to be financed at a loss with expensive short-term liabilities.

There's life in the old dogs yet

IN THE days of two-party politics it was sometimes possible to sum up the week's events like a football match: Tories 1—Labour Party 3. Nowadays, with people flocking to the Social Democrats with all the zeal of religious conversion, it is altogether more complicated.

Yet it is worth considering the proposition that the two-party system still exists and that the rise of the SDP is merely a temporary aberration. Certainly that was the strategy adopted by the two main party leaders when addressing their chosen audiences this week—Mr Michael Foot at the TUC and Mrs Margaret Thatcher speaking on the Jimmy Young Show on BBC Radio 2.

Mr Foot is even more up against it than the Prime Minister. As Mr Denis Healey has pointed out all along, the Labour Party would now be in an almost impregnable position if it were not for its internal divisions. But the Labour leader has at last begun to face the problem. His speech to the TUC was an outline of what might be if Mr Tony Benn is defeated for the deputy leadership and his campaign to take over the party gradually wanes.

Mr Foot's basic assumptions are that Tory economic policies will prove disastrous, that un*employment will go on rising* and that the electorate will be ready to turn to an alliance of the *Labour Party and the* unions to put the country back to work, if such an alliance exists.

Nothing about that is wholly implausible, however the TUC may have voted this week. After all, the unions and a Labour Government have worked together quite successfully before. Between 1976 and 1978 they presided over a period of relative economic tranquillity. The approach of the general election could bring the unions and the party together again. *Somewhere* in the national consciousness there is also probably still a hankering after an incomes policy, which could work to Labour's advantage.

It is worth remembering, too, that the party still includes people just as able as those who have defected to the SDP or those who sit on the Tory front bench: for example, Mr Roy Hattersley, Mr Peter Shore and Mr Eric Varley — not to speak of Mr Healey.

Yet apart from the need to keep Mr Benn at bay, the chances of a Labour recovery really depend on a Tory economic failure. Here Mr Foot and Mrs Thatcher seem to be talking the same language, though saying quite different things. The level of unemployment will remain the key issue *on which the Government* will be judged. Mr Foot would approach it by increasing government intervention; Mrs Thatcher is determined to go on unleashing market forces.

The Prime Minister has now reached the stage where she has decided—if there was ever any doubt—that there can be no turning back. The Conservatives will have to go to the electorate, when they do, and say: "We have laid the foundations for economic revival. Now give us the chance to finish the job."

Under the present leadership no other approach is possible. A reveersal of economic policy would *not* be credible *nor* is it being contemplated.

Success would seem to depend on two main factors. The first is the creation of a united government and the second is some sign that the economic policies are beginning to work. What are the chances?

Mrs Thatcher has one very good excuse for taking her time over the expected ministerial reshuffle: it is the most important that she has ever undertaken. If she cannot produce a united Government now, she will have to fight increasingly with one hand tied behind her back. For it is not the attacks from Mr Foot and the TUC that matter—those are only to be expected. It is the continuous sniping at the Government's economic policies from within the Cabinet itself that hurts and damages.

A sometimes forgotten asset: Mrs Thatcher's populism

However ambiguous and however inadvertent, a seemingly critical speech by (say) Mr Francis Pym or Lord Thorneycroft, the party chairman, does more than anything else to sustain the belief that economic policy is about to be substantially changed. It also helps to undermine the credibility of the policy.

Mrs Thatcher will have to act, though her powers are limited. The key to the changes will be how far the supporters of the Treasury team are strengthened in Cabinet—just as, in the mini-reshuffle last January, one of the most significant changes was the appointment of Mr Leon Brittan as Chief Secretary while his predecessor, Mr John Biffen, was given a department of his own. Treasury strength went up by one.

The present restructuring will have to be aimed at increasing that strength still further without putting too many potential rebels on the back benches. There are ways in which this could be done. Mr Peter Walker—a rebel at *Agriculture—could* be made Chief Whip, a position in which he would be obliged to work *closely with the Prime Minister.* Mr James Prior, whose only real problem is personal incompatibility with Mrs Thatcher, could quite reasonably be sent to Northern Ireland and given a mandate to do what he thinks best.

It is also important, incidentally, that this time the reshuffle should go all the way down the line, if only for reasons of career management. Too many able junior ministers are getting restless, feeling underemployed, out of touch and probably worried about their mortgages. There is a belief, which needs to be corrected, that preferment works by chance rather than by design or merit.

Yet if Mrs Thatcher gets her Government right, will the economy pick up? *The latest* advice from the Treasury team is that, despite the bottoming out of the recession, there may be still tempests ahead. It may sound like an old familiar excuse, but do not be surprised to hear renewed claims that the international situation is making British recovery more difficult.

There is particular concern about high American interest rates and their effect on American business: for instance, a possible spate of bankruptcies in the future. No-one is quite sure how the U.S. Administration would then react. There is alarm, too, about President Mitterrand's apparent intention to spend his way out of recession in France. And there is some anxiety that Chancellor Schmidt *may be unable to stick* to his plan of limiting public expenditure in Germany.

There may also be some movement in Britain's interest rates —upwards. The recent deprecia*tion of the effective rate of the* pound—not just against the dollar—is unlikely to be allowed to go much further. The correction would come via higher interest rates.

All that is a far cry from the last Budget, which was based on *the hope that rates could come* down this summer. But the rationale would be the effect on expectations: the *pound cannot* be allowed to slide too far because that would add to domestic inflation and set off again the whole cycle of higher wage settlements and rapidly rising prices—the very process which the Tories promised to reverse. The Government is thus stuck with the need to maintain a relatively high exchange rate if it is to achieve its central objective.

And yet, looking further ahead, the key indicator to watch is *clearly unemployment.* If the number out of work were to stop rising in (say) May next *year and the inflation rate were* to be contained below 10 per cent, the Tories might well be in with a chance.

The May date is not chosen entirely arbitrarily. It could be April or June, *perhaps a little* later. But the point is that next May is about two years away from the latest possible date for the General Election. If unemployment were to stop rising then and, slightly thereafter, gradually to come down, and if inflation were more or less under control, the Government would have a basis for saying that *its policies were beginning* to work and for going to the country to seek a mandate to finish the job.

That is what Mrs Thatcher was talking about when she said on the *Jimmy Young Show that* many people had told her that her policies were right, then added: "The *moment you start* getting unemployment down, they will be seen to be right."

The political conclusion is not necessarily that *the employme* figures will start to look bett next spring. It is rather that the Prime Minister manages h reshuffle well, the Governme still has time to pursue existi economic policies. If the figur next May are still getting wor almost anything could happe Meanwhile, the crisis in t *Tory Party, if there is to* one, has been postponed.

Her very choice of programm should have *reminded* us one, sometimes forgotten, ass Mrs Thatcher's populism. H better to put the case again monopolies than to ask wh would happen to the price *clothes if there were* no co petition between Marks a Spencer, British Home Stor and *Littlewoods?* She is al plainly delighted with the resu of the Coventry referendum rates and public expenditu and may be tempted to try it a wider scale.

On all these matters, econ mics ministers do at least ha a policy. So could *the Labo* Party, if it ever pulls its together. One begins to wond if it is not time that the Soc Democrats had something say themselves. It is not se evident that the best w ahead for the economy is simp half-way between interventio ism and market forces, oth wise known as splitting the d ference.

There is a lingering suspici that the Social Democrats basi ally support *Mrs Thatche* policies, but are reluctant say so in public. They are wa ing to see what *the inheritan* looks like.

So are we all, but the on *guidance* is that there *are* safe bets. The only implausib wager is that Mr Benn will w *the deputy leadership of t* Labour Party, then take ov the party and then win a gene *election.*

Malcolm Rutherfor

Letters to the Editor

The skills of management

From the Director General, British Institute of Management

Sir,—British managers are on the whole ill-educated, lacking in technological and scientific training, without authority based on expertise and a barrier to technical innovation, *you report (September 4)* as the view of Dr S. S. Blume of the London School of Economics. *I suspect that all British* managers who have been fighting hard to resist the effects of a world slump find this an unjustified generalisation.

All of them at least have the *minimal* understanding of scientific method to ask Dr Blume on what evidence his conclusion is based. Does it record the British lead in Videotext: the advances of Plessey and Racal in electronics; the sophistication of telecommunications equipment and the far reaching implications of optic fibre technology; the *technological* developments at GEC/Marconi — the success of which now depends on a Government decision not their technological sophistication; the advanced technology currently incorporated in Rolls-Royce aero engines; the applications of expertise in *totally* new conditions that was needed to secure North Sea oil or the technological achieve*ments in medical and pharma*ceutical products? These and less dramatic examples of *innovation in industry would* seem to belie Dr Blume's contention. Besides, from your *report, no mention* is made of the inconsistency of successive Governments' policies which has *handicapped* investment, innovation and a confident response to fundamental changes in world markets.

Apart from the examples illustrated by such successes, regular readers of your columns will recall that a recent survey of its members by the British Institute of Management showed that the standard of education of British managers is improving *and is higher than* in the population generally. One third of the respondents are University graduates of which one-half had degrees in science or engineering. About 97 per cent *of them had under*gone — either on a full-time or part-time basis — forms of *further or higher education.*

Of course not all managers are as well educated or as tech*nologically aware as* we would wish. Nor do all educationalists fully understand and properly *evaluate management* needs, skills and initiatives. Dr Blume might well be accused of fostering a dichotomy which must be avoided — between technology graduates who are commercially "inept" and graduates in commerce and economics who are technologically "illiterate." The present danger of such a trend could be attributed in part to the current processes of higher education at all levels which have not yet adjusted to modern management requirements.

Dr Blume must surely under*stand that indiscriminate mud* slinging is apt to blind those whom a reasoned case would enlighten.

Roy Close.
British Institute of Management.
Management House, Parker Street, London WC2.

The PABX potential

From Mr R Pontefract

Sir,—Alan Cane (Technology September 7) is dismissive of the network attached to the PABX and mentions high wiring costs. The point is that the *PABX network* already exists and if piggy-back services are added, the wiring cost is trivial. (Viewdata could never have started if telephone wiring and TV sets had not existed.)

What is not realised also is that, if information is to be on tap, considerable depth of penetration of wiring is essential i.e., down to individuals and the PABX net already *has* this spread and is under-utilised even in a busy office. Information will need to be obtained *from* and delivered to many different sources — internally and externally to an *organisation*. Again, to achieve this a switch (PABX) is an essential component to allow this necessary flexibility.

It must not be forgotten either that voice is currently being *digitised* and will become indistinguishable on a network from any other data and will need to be integrated if an efficient and economical service is to be provided.

The narrow bandwidth mentioned *still allows* delivery of information to an individual station at 1,000 characters per second, i.e., a full *A4 sheet* every two or three seconds. What individual is going to cope with this rate of input? *Furthermore,* in the U.S., *six* times this character rate has been achieved allowing video signals to be sent.

Before embarking on the installation of proprietary networks, which I think will be*come expensive* information cul-de-sacs, the PABX network should be re-examined for its considerable potential in being able to bring to the individual an almost unlimited variety of information at an economical cost.

R. M. Pontefract.
Elvington Hall, York.

Ism't this all unworkable?

From Mr A Scott

Sir,—The TUC conference does not seem to know what it wants. It puts forth support for far-Left and Marxist-type government and in the next breath it says it wants free collective bargaining. The *two* are *incompatible.* The essence of extreme socialism is centralised control of the economy and this is impossible unless you are able to tell people what they should be paid. If they do not believe this, they must be *deaf.* The howls to the east of us about unions telling Governments how to run the economy *and making demands* are because such things are anathema in such a system. Mr Scargill would be a "dissident" in those *countries.*

They can either have a market economy or an efficient, at least in *theory, all-out Socialist* policy. In practice, such Socialism in a land of workaholics could be efficient, but this is not *a dominant streak* in our trade unionists. They also tend to be acquisitive, like the rest of us.

It is *time* these people who go to these conferences studied politics to find out what all these "isms" are really all about. Some people who belong to them can be less than honest about them.

A. H. Scott.
102, Beeches Road, Chelmsford, Essex.

Fine in theory

From the Vice-president General Manager, Schwitzer Europe

Sir,—We are an engine component supplier to the Western *European* truck building industry. We export from the UK 70 per cent of our original *equipment to the truck* importers presumably referred to by Mr Hancock in his letter of *September 7.*

We expect these importers, our customers, to sell their *trucks* in the UK, *as reciprocal* trade, thus creating UK manufacturing and service employment. Certain Scandinavian trucks [illegible] tain a high content of UK added value.

During 1980, this company purchased £50,000's worth of executive cars from British Leyland, whereas we would be quite moral to purchase these *vehicles* from our overseas customers, namely the people who buy our product. I know other component suppliers share this viewpoint.

We would tend to agree with Mr Hancock's comments, perhaps, if they were more specifically directed to some East European and so-called *third* world countries where certainly the UK is at a disadvantage in terms of reciprocal trade and artificial tariff barriers.

The "buy British" approach is fine in theory but may have some quite unforeseen disadvantages if not used care*fully.*

G. M. Morrell.
Euroway Industrial Estate, Bradford, West Yorkshire.

The UK dairy industry

From Dr R. Pool

Sir,—Alas, poultry (Lombard September 7) is not the first nor largest lame duck in the national farmyard to be supported by this, and previous, Governments. Our milk cows are larger, lamer ducks.

For years, EEC *agricultural* prices have been too high—leading to surpluses — while common prices in UK were kept artificially low by conversion from unit-of-account to national prices at a *false "green"* rate of exchange. UK agriculture, except milk, could stand this, at a price. The dairy farmer could not, and so an artificially high market was created for liquid milk. The staple food, the pinta, subsidises the luxury, butter; this latter being at the "common" price level.

All farmers complained at this "green" distortion. I took it to the European Court. If only other industries were as *efficient* as *farming,* we boasted.

Now all farmers are protected by a 10 per cent green currency *advantage compared to other* industries. Our cries of fair competition are replaced by gleeful cries of now our turn to benefit. What price a common market? What price our arguments when the currency pen*dulum swings again? What price* honesty?

Dairy farmers retain not only this 10 per cent green bonus but also the further 20 per cent *bonus on liquid sales.* This is made possible by a monopoly purchasing organisation, govern*ment control of prices,* differential pricing for different uses, a ban on imports, and specious *arguments about the social value* of the milk round. Like poultry the import ban is based on health *regulations:* as *for* poultry, they are hypocritical. [illegible] and before the European Court. The overpriced, import-protected milk monopoly is a perfect example of Bennite economics.

We all know what is needed. For farming generally, Common Agricultural Policy prices which limit production, truly common prices (not least to assist stabilise currencies), and UK membership of the European monetary system. We also need an end to distorting national aids—of which, green currencies apart, by far the biggest is that to the UK dairy industry (as the French Government reasonably pointed out when before the European Court on the relatively trivial issue of lamb).

Green currency distortions must end. In the 1970s they were used to delude people that wage rises had no effect on food prices—Mr Silkin's contribution to inflation. In the 1980s lower food prices are denied when they are the natural consequence of financial restraint—Mr Walker's contribution to checking inflation.

For dairy farming restructuring is urgent. Free competition in milk sales, within the UK *and within the EEC.* Reform of farm support, especially capital support. Adoption of milk pro*ducts whose distribution is less* labour intensive. In short, the UK dairy industry should try *joining the Common Market.*

(Dr) R. A. H. Pool.
Higher Trayne Farm, Ilfracombe, Devon.

Third world power

From Mr P. Grange

Sir, — Your leading article (September 2) advocating Salt talks comes at an opportune time. The TV series Cosmos suggests civilisations may be programmed to self destruct on *reaching a certain level of tech*nology, and there's no sense in accelerating the process.

The UK, however, has little say *in such* negotiations and appears to be following a foreign policy with no hope of *achieving* long-term stability in Europe.

Why not try something different? As an alternative we *could suggest* the formation of an EEC-based independent third world power. This would have a *GNP approximately equal to* Russia or the USA, and enough industrial muscle to make itself *heard* at the conference table. Apart from exerting a stabilising influence the group could provide consortia big *enough to profit from such* schemes as the proposed east/west gas pipeline, together with other contracts in the developing countries.

It could also help to reverse the decline in business activity that currently plagues our *economy.*

P. W. Grange.
82 Collinswood Drive, St. Leonards on Sea, Sussex.

Today's Events

GENERAL

UK: Mrs Margaret Thatcher *continues talks with* President Francois Mitterrand of France at 10 Downing Street.

Final day of Trades Union Congress conference, Blackpool.

Police Federation seminar on Report of Royal Commission on Criminal Procedure opens, Oxford (*until September 13*).

National Citizens' Band Radio Show opens, Old Horticultural *Halls, SW1 (until September* 13).

British Sculpture 1900-1980 exhibition opens, Whitechapel Art Gallery, E1 (until *September 13*).

City of London reception at Guildhall to mark Diamond Jubilee of Royal British Legion.

Overseas: Herr Helmut Schmidt, West German Chancellor, starts two days of talks in Rome with Sig Giovanni Spadolini, Italian Prime Minister.

Leaders of the Southern African front-line states, and Nigeria, meet in Lagos for talks on invasion of Angola.

OFFICIAL STATISTICS

Building societies' monthly figures for August.

COMPANY MEETINGS

Avana Group, Park Lane Hotel, Park Place, Cardiff, 3.0. D. F. Bevan (Holdings), Midland Hotel, New Street, Birming*ham*, 12.15. Cowan de Groot, Abercorn Rooms, Liverpool Street, EC, 12.00. General Electric, Institution of Electrical Engineers, Savoy Place, WC, 12.00. *Diamond Stylus, Imperial* Hotel, Llandudno, Gwynedd, 12.30. Graig Shipping (Cardiff), 113-116 Bute Street, Cardiff, 12.00. Lynton Holdings, Waldorf Hotel, Aldwych, WC, 12.00. New Court Natural Resources, New Court, St Swithins Lane, EC, 3.00. Radiant Metal Finishing, 69 Fairfield Road, Bow, E, 10.30. Alexander Russell, Centr Hotel, Gordon Street, Glasgo 12.05. *Thorn EMI*, Winchest House, 100 Old Broad Stre EC, 12.00.

COMPANY RESULTS

Final dividends: Canto Haynes Publishing Grou Standard Industrial Grou Interim dividends: Allen Harv *and Ross.* Appleyard Group Companies. Home Counti Newspapers. Lyon and Ly McLaughlin and Harvey.

LUNCHTIME MUSIC, London

Organ recital by Jane Wat St Paul's Cathedral, 12.30 p

Piano recital by Raenal Mackie, St Martin-withi Ludgate, 1.15 pm.

UK COMPANY NEWS

BTR up 20% at six months

THE sustained strength of its overseas earnings has helped BTR, the international energy, engineering, plastics and materials handling group, to raise pre-tax profits by 20 per cent from £34.6m to £41.6m for the six months to July 4, 1981. Sales increased by 23 per cent from £239.7m to £293.8m.

Both sales and profits were after allowing this time for exchange fluctuations of £1.6m and £0.5m respectively. The pre-tax figures included other income of £2.7m (£1.7m) but were after charging increased finance costs of £4.6m (£2.8m).

After tax of £13.3m (£11.4m) and minorities of £2.9m (£1.8m) attributable earnings advanced by 19 per cent from £21.4 to £25.4m. The net interim dividend is being raised from an adjusted 3.5p to 4.25p per 25p share, costing £10.2m — last year, payments totalled an equivalent 7.167p on taxable profits of £70.3m.

Although the group's UK results compare unfavourably with the early months of 1980, the board says the benefits of a major realignment of resources already accomplished should become apparent "when a UK economy of new dimensions gains confidence."

In Europe, profits fell by £3.5m to £17.6m, on marginally higher sales of £157.6m (£157.5m). Elsewhere, both the western and eastern regions showed sharp improvements. Western region profits jumped to £13.2m (£6.9m) on £58.2m (£29.2m) sales and the eastern region made £12.2m (£7.7m) profits on sales of £76.4m (£53m).

See Lex

European Ferries in the red midway

A SLUMP on the shipping side has pushed European Ferries into the red for the first half of 1981.

The shipping division showed a downturn from a profit of £1.39m to a loss of £9.32m and, despite harbour operations improving to £1.27m (£0.87m) and banking and property to £5.91m (£1.49m), the company slipped from a profit of £3.75m to an operating loss of £2.14m for the six months. Minorities this time took £200,000, leaving the attributable deficit at £2.34m.

Turnover totalled £111.56m (£79.11m) and broke down as to: shipping £63.27m (£66.38m); harbour operations £12.74m (£10.44m); banking and property £35.55m (£2.29m). It excludes banking turnover but includes the sale proceeds of a development at High Holborn, the profit on which was earned in 1980.

The net interim dividend is 1p (1.725p) and, as forecast at the time of the one-for-one rights issue in May, the directors expect to pay a final of 2.1p. The total of 3.1p on the increased capital will absorb £10.7m (£8.6m) and compares with last year's 5.175p.

Apart from the ACT on dividends and a small amount of foreign tax, there will be no tax charge on the half year results.

● comment

In the wake of P and O, European Ferries has disclosed big first half losses on its cross-Channel operations. The main cause has been extreme competition for commercial traffic, with volume down 5 per cent but revenue suffering a much larger drop. The second half will include a reasonably good peak season for tourist traffic, with volume slightly up on last year's high levels. But it is a moot point whether shipping will be in the black for the full year, and prospects for 1982 are also highly uncertain pending the outcome of the Monopolies Commission probe into Euroferries' bid for Sealink UK. Elsewhere, the property and banking side is apparently set to contribute substantially more in the second six months. But overall profits could be well down on 1980's £30.4m, and at the year's share price low of 75p the yield on the forecast dividend is an unspectacular 6 per cent.

Pru advances by 10% at interim stage

BUOYANT LIFE profits and better underwriting results on UK general insurance business resulted in net profits of the Prudential Corporation improving nearly 10 per cent in the first half of the year from £21.2m to £23.2m. The earning per share rose from 7.1p to 7.8p.

The interim dividend is lifted from 4p to 4.5p.

Despite improved results in the UK, worsening losses overseas meant that total underwriting losses in the period climbed by half from £12.1m to £17.7m. A near 25 per cent rise in investment income from £15.5m to £19.1m enabled the general insurance business to record a minimal net profit of £400,000, compared with £3.6m in the first half of 1980.

However, this decline in general insurance profitability was more than offset by a one-third jump in shareholders' life profits from £13m to £17.5m, with substantial contributions from the Prudential Assurance Company up 30 per cent from £11.6m to £15.1m, improved life profits from the life business Mercantile and General Reinsurance, up from £1.6m to £2.1m and a contribution of £500,000 from the linked life subsidiary Vanbrugh Life against nil last year.

Other income showed a useful rise from £4.6m to £5.3m.

The Pru fully benefitted from the improved conditions in the UK with premium income up by 20 per cent and underwriting losses cut by nearly two-thirds from £6.1m to £2.2m. Premium income on UK domestic property rose by 30 per cent and underwriting losses were cut from £3.2m to £800,000. Motor premium income rose 15 per cent and better weather and a reduction in the number of claims, plus a slowing down in the rise in claim cists, resulted in underwriting losses cut by half from £1.8m to £700,000.

Overseas it was a different story for the Pru's general insurance business. A profit of £500,000 last year was turned round into a £3.8m loss, while losses in the EEC rose by half from £1.4m to £2.1m. Losses in the rest of the world soared from £800,000 to £3.4m.

● comment

Prudential Corporation's half yearly results were slightly better than hoped thanks to higher life profits. Life business generally is buoyant and in particular the linked operations on both the life and pension side are now producing useful profits. Underwriting losses on general business were as expected, with the UK business doing better than anticipated and the overseas business worse. The measures taken to correct the appauling losses in the UK last year are biting much quicker than could be expected. Canada, Australia, Belgium and the general reinsurance operation of Mercantile and General are all producing the expected losses, with little hope of recovery this year. Improvement in earnings in 1981 will come mainly from the life side with general losses still rising over the second half of the year. Nevertheless, shareholders can expect a total dividend up from 11p to at least 12½p giving a gross yield of 7.7 per cent on a share price up 1p to 233p.

SPAIN

Sept 10	Price %	+ or −
Banco Bilbao	384	+3
Banco Central	384	−5
Banco Exterior	425	
Banco Hispano	326	−9
Banco Ind. Cat.	119	
Banco Santander	389	−5
Banco Urquijo	240	−3
Banco Vizcaya	400	−3
Banco Zaragoza	281	−5
Dragados	205	−8
Espanola Zinc	75	
Fecsa	71.5	−2.0
Gal. Preciados	56	−2
Hidrola	83.7	−2.3
Iberduero	58.5	−0.5
Petroleos	121	−4.5
Petroliber	83	
Sogelisa	51	
Telefonica	63.5	−1.5
Union Elect	78.5	−1.7

HIGHLIGHTS

On a busy day for company news Lex looks at the results of three majors, Turner and Newall, BTR and United Biscuits before moving on to consider the Monopolies Commission's report disallowing Ensearch's bid for Davy. At T and N the recovery is just visable in the half year figures though the group is still relying heavily on profits earned in Africa. Looking forward T and N is hopeful of a strong improvement in the UK. Meantime at BTR profits continue to steam ahead thanks to overseas growth while the company seems to be getting ready for another major acquisition. At United Biscuits half time profits are up by 50 per cent to £24m thanks to the benefits from cost reductions coming through in a big way. A major deal took place yesterday morning when Guinness Peat sold its 20 per cent stake in Linfood for £12m to James Gulliver's company. Also on the bid scene Glynwed came forward with an agreed offer for Durapipe who was trying to fight off a bid attempt by Wavin Plastics.

Unigate optimistic

Mr John Clement, chairman of Unigate, the milk, food and transport group, told yesterday's annual meeting that he was "moved to a spirit of guarded optimism" about the future.

Last year's profit downturn had to be seen in the context of the severest recession manufacturing industry had faced since the last war, Mr Clement stated.

"Encouraged by a stronger balance sheet, improved and modernised facilities showing valuable savings, and some indications of improvements in performance, I am moved to a spirit of guarded optimism — provided no unexpected developments delay the work of recovery begun many months ago," he said.

ACC: 'No plans to enfranchise A shares'

By John Moore

Lord (Lew) Grade, chairman and chief executive of Associated Communications Corporation, the entertainments conglomerate, told shareholders at yesterday's annual general meeting that there were no plans for the company to enfranchise the non-voting "A" shares of the group.

"Our articles of association clearly state that we, the voting shareholders, control the company," he said. The largest block of voting shares are controlled by Lord Grade.

In answer to a shareholder's question, Lord Grade, quoting from a letter from the from a letter from the Independent Broadcasting Authority dated September 8, said: "On the question of the programme contract ACC will continue to have the majority control of the programme company after the end of 1981 and there are no plans to alter the present contractual arrangements which comprise among other things for the authority's prior approval to be given for changes in ACC's voting shares."

Dismissing suggestions from a shareholder that the IBA might relax its general requirements regarding the voting structures of television companies from January 1, Lord Grade stressed that his correspondence with the IBA was recent. "This is dated September 8," he said, holding up the letter.

One shareholder requested Lord Grade to ask "A" shareholders to nut up their hands to say whether they would support the board making representations to the IBA at some future date to enfranchise the non-voting' shares. "Certainly not," replied Lord Grade. "I am glad to have an argument with anyone. But our articles of association are clear and precise. And we intend to stick by them."

"But the board can change the articles of association if they wish to with the voting shareholders' support," interjected another shareholder. "You're just sheltering behind them."

Lord Grade replied: "Voting shareholders do not intend to do so. We have built this company. You either have faith in us or you get out. My advice to you is lend me some money and I will buy whatever shares you've got."

During the meeting Lord Grade said that the group would not be making any more feature films without full board approval and without financial partners.

Asked about "The Legend of the Lone Ranger," Lord Grade said that he expected it to break-even.

Talking about the company, Lord Grade said that its properties were a great asset. He also stressed the "incalculable value" of its stock pile of films and TV programmes. They would be like a "goldmine" in the explosion, he predicted, for home entertainment—citing video discs, cable TV and satellite TV.

"This company has a great future and will continue to have a great future. I am absolutely delighted to be here before you today and I will be here with you next year."

Without mentioning directly the recent boardroom dramas which led to the resignation of Mr Jack Gill, the group's managing director and Lord Grade's right-hand man, the chairman said he considered the action that was taken "was only in the interests of the company and the shareholders."

He said that he had received a letter from a fund which held shares in the group of around 2.5 per cent this week. "I called the chief investment manager immediately. He was shaken. He told me that this had never happened to him before. I told him he was welcome to come to the meeting. I have always welcomed non-voting shareholders to come to my meetings. I think he's bought more shares this morning."

He welcomed "a new substantial shareholders," Mr Robert Holmes a Court. "I hope from this meeting he will get some idea of what the company is about."

Lord Grade concluded his formal address to shareholders saying that prior to the shareholders' meeting the board had held a meeting. "I had the unanimous support of the board on the actions that have been taken and what we are doing to further the profitability and preserve the leadership of this company in all aspects of the business in which we are involved."

Although cautious about commenting on prospects for the current year, he said: "We are going to get borrowings down," and he predicted that Mr Holmes a Court would make a lot of money on his shares.

Lord Grade on his way to meet the Press after yesterday's hectic annual shareholders' meeting

Sedgwick at £29m and lifts dividend

TAXABLE PROFITS of Sedgwick Group advanced £6.2m to £29.1m in the first half of 1981 on revenue 24 per cent up at £84.9m compared with £68.3m—all figures exclude the insurance companies.

The interim dividend of this insurance and reinsurance broker and underwriting agent is being raised to 2.25p net (2p) per 10p share. Last year a total of 5p was paid. Earnings per share are given as 6.9p (5.5p).

Mr Neil Mills, chairman, says all sectors of the group's business in the UK made satisfactory progress and the results from the U.S. and Australia, amongst others overseas, were particularly encouraging. The profit commission earned by the Lloyd's underwriting agencies also showed an upward trend.

The increase in revenue was achieved at a time when most rates were lowering and there was widespread economic recession showing the real advances made in acquiring additional business and in increasing efficiency.

While the weakening pound increased profits of the overseas companies, when converted into sterling at the rate on June 30, 1981, this movement occurred too late to have a great effect on the foreign currency income of the UK subsidiaries. If exchange rates had remained at the levels used during 1980 profits before tax would have been £0.8m lower, Mr Mills says.

Since March, the group has new subsidiaries in Denmark, Northern Ireland and Spain and in July received approval for the opening of a liaison office in the People's Republic of China.

Mr Mills says the range of influences outside the group's control makes prediction about profits in the second half difficult, but he is encouraged by the progress already made.

"We are conscious this can only be sustained with the fullest use of the skill, dynamism and enthusiasm within our group worldwide. It is the knowledge that these attributes exist which leads us to believe we will be able to strengthen our position at the forefront of the industry," he concludes.

Taxable profits were struck after expenses of £55.8m (£45.4m). Tax took £14.2m (£11.2m) and minority interests were £100,000 (same), leaving attributable profits of £14.8m (£11.6m).

The directors say that the insurance companies' results—which are not material to the group—have not been included because to do so would be misleading.

● comment

Sedgwick's 24 per cent increase in revenues looks impressive at a time when worldwide competition in insurance markets is lowering premium rates, and should be pegging brokerage growth. Sedgwick stresses that the improvement is due to increased business volumes and efficiency measures. The group has also won back some business, particularly in Australia, that it lost at the time of the staff shakeouts following the merger of Sedgwick Forbes and Bland Payne. Investment income has contributed roughly the same amount to overall revenues, although the group traditionally does not disclose the figures. The surprising feature of the latest results is that expenses are showing a 23 per cent increase. The group says that exchange rate factors have had an adverse impact on costs because it does have significant number of overseas based operations. For the full year, Sedgwick could make £55m boosted by more favourable exchange rate movements in the second half. The shares at 155p up 4p stand on a prospective p/e of 12.3 and yield 4.9 per cent.

PORTSMOUTH

The recent offer for sale of £6m in 10 per cent redeemable preference stock by the Portsmouth Water Company attracted applications for £9.81m of stock, nearly 64 per cent oversubscribed. The minimum tender price was £100.16 per cent and the average price obtained was £100.316.

JAMES BEATTIE

Following the interim report in Wednesday's issue, James Beatie, the Wolverhampton-based department store group, wish to make clear that it has never at any time paid an interim dividend. A single final dividend is paid in June each year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bestobell	int.	5.4	Oct. 9	5.15	—	12.25
Blackwood Hodge	int.	0.5	Dec. 11	1	—	2.5
Bridon	int.	1.2	Nov. 10	2.3	—	3.5
BTR	int.	4.25	Nov. 27	3.5*	—	7.17*
Camrex (Hldgs.)	int.	1.64	Nov. 27	Nil	—	Nil
European Ferries	int.	1†	Jan. 4	1.73	—	5.18
Harmony Gold	int.	120¶	Nov. 6	200	—	360
Hepworth Ceramic	int.	2.25	Nov. 16	2.25	—	5.25
Highcroft Inv. Tst.	int.	1.15	—	1	—	2.5
Lead Industries	int.	3.7	Nov. 30	3.7	—	9.66
Magnolia Group	int.	0.6	Oct. 15	0.6	—	2.1
Matthew Clark		5.5	Oct. 14	5.5	7.5	7.5
R. P. Martin		5.5	Nov. 21	3	8.25	4.6
Maynards		6.25	—	6.88	9.38	8.75
Mountleigh Gp.		2.5	Nov. 2	—	3.5	3
Prudential Crpn.	int.	4.5	Nov. 19	4	—	11
Rosedimond Inv.	int.	3.1	Oct. 31	3.5	—‖	6.5
Royal Dutch	int.	3§	—	3	—	6.85
Schroders	int.	3	Oct. 29	3	—	10.5
Sedgwick	int.	2.25	—	2	—	5
"Shell" Transport	int.	8.6	Nov. 12	8.6	—	19.1
Stewart Plastics		1.89	Oct. 29	1.72	2.91	2.74
Telefusion		0.93	Nov. 2	0.83	1.6	1.5
Thurgar Bardex	int.	0.3	Oct. 9	0.3	—	0.9
Turner and Newall	int.	3	Nov. 19	3	—	6
United Biscuits	int.	2.25	Jan. 6	1.87	—	4.37
Yule Catto	int.	1	Oct. 9	0.8	—	2‡

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acqusition issues. ‡ For 14 months. § Dutch Florins throughout. ¶ South African cents throughout. ‖ At least 8.1p forecast.

Ductile Steels chairman optimistic on prospects

ALTHOUGH a trading loss will be announced by Ductile Steels for the second six months ended June 27 1981, it is significant that the loss is substantially less than for the first half, with the greatest improvement coming in the fourth quarter, says Mr R. Sidaway, the chairman.

Results for the first quarter of the current year are expected to show a profit and this progress is likely to be maintained in the second quarter.

Mr Sidaway gives details of the company's progress in a letter to shareholders which refers to the near 15 per cent stake in Ductile taken by Caparo Industries. He says he is meeting the Caparo chairman next month, but can say nothing about Caparo's intentions, except that Caparo has stated its policy of making long-term investments in the British steel and engineering industry.

Ductile's 1980-81 results are not expected to be announced until October 20 and the chairman says these will include an extraordinary write-off from plant closures. A pre-tax loss of £1.49m was incurred for the first 26 weeks.

The results for 1980-81 will not themselves justify a dividend payment, but if at the time the board has to decide on the 1980-81 dividend, prospects continue to be as encouraging as they presently appear, it is probable that a final for 1980-81 will be recommended, Mr Sidaway states.

Turner and Newall at £8.5m: holds payout

PRE-TAX PROFITS of Turner and Newall fell from £12.2m to £8.5m in the first six months of 1981 on sales £44.8m lower at £303.3m.

The interim dividend is being maintained at 3p net per £1 share—in 1980 a total of 6p was paid on pre-tax profits of £6.4m on turnover of £634.7m.

Mr Stephen Gibbs, chairman of this industrial holding company says that with the loss of 1,600 employees (last year 3,535 were made redundant), rigorous cost control and reductions in working capital the UK subsidiaries pulled back from the serious trading position of the second half of 1980.

Hence, he says, although the first six months of the year showed a downturn in UK sales volume, UK operations showed a small trading profit, equivalent to a turn-round of £7.5m on the previous six months.

Results from the plastics and industrial materials division's activities were better than in the second half of 1980 and the trading loss was more than halved. BIP's chemical activities were markedly better and selling prices for BIP Vinyls' output showed some prospects of recovery towards the end of the half year. Glass fibre prices remained a problem for TBA but were offset to some extent by higher profits from other activities.

The automotive components market in Europe continued to be depressed, but overall the division's results were significantly better than in the second half of last year, aided by lower UK operating costs and the higher profits from most of the overseas companies.

The construction materials companies operating overseas earned higher profits. In the UK falling demand for construction materials adversely affected TAC, while engineering materials made good progress.

In the chemicals division profits of Hunt Chemical Corporation of the U.S. improved steadily and, though lower than in the first half of 1980, were up on the second half. Volume continues to be disappointing, especially for sales to the electronics industry, Mr Gibbs says.

Looking to the remainder of the current year Mr Gibbs says that although in the UK there are fewer signs of recovery than he had hoped for, the directors' UK strategy has so improved the group's competitiveness that—if the recession does not deepen—it should benefit from the economies and measures of the past 18 months. Over that period capital expenditure of £5.3m was approved in the UK on projects which will give a quick payback. Mr Gibbs also expects the overseas companies' performance to reflect any improvement in their local trading environment.

A breakdown of sales and trading profit by division shows: plastics and industrial materials £103.9m (£127.8m) and £1.3m loss (£2.9m profit); automotive components £92.4m (£94.7m) and £3.7m (£6.8m); construction and engineering materials £73.1m (£90.1m) and £10.3m (£9.1m); chemicals £29.5m (£28.2m) and £1.6m (£2.2m); and mining £43.8m (£49.2m) and £5.5m (£5.6m).

Geographically sales and trading profits were split: UK £178.5m (£222.8m) and £0.9m (£9m); other European £33.5m (£43.9m) and £1.2m (£2.3m); Africa £74.6m (£67.8m) and £14.1m (£11.8m); the Americas £35.3m (£39.2m) and £1.3m (£1.8m); and Asia and Australia £20.3m (£16.3m) and £2.3m (£1.7m).

Taxable profits were struck after exceptional charges of £2m (£5m), associates' profit of £1.9m (£3m) and finance charges of £8.8m (£10.7m).

Tax took £8.5m (same) and after minorities of £1.7m (£900,000) and extraordinary debits of £100,000 (£400,000) the attributable figure emerged as a loss of £1.6m (£8.2m profit). Losses per £1 share are stated at 1.54p (2.64p earnings) on a net basis.

See Lex

Hepworth Ceramic falls to £12m midway

TAXABLE PROFITS of Hepworth Ceramic Holdings fell £2.94m to £12.07m in the first half of 1981 on increased turnover of £146.9m, compared with £137.11m.

However the interim dividend of this manufacturer of vitrified clay, plastic pipes and refractory products is being maintained at 2.25p net per 25p share. Last year a total of 5.25p was paid on pre-tax profits of £22.29m (£36.17m) earned on sales of £263.21m (£272.24m). Earnings per share are stated at 4.3p (6.7p).

The directors say trading conditions were worse than in the second half of 1980 and there is no sign of any upturn. Nevertheless the company is on target and in control of the situation—though this remains difficult and very challenging, they say.

Taxable profits were struck after associated losses of £264,000 (£165,000) and interest payable of £1.49m (£612,000 receivable). Tax took £5.25m (£4.48m) leaving attributable profits of £6.82m (£10.53m).

● comment

Hepworth Ceramic took a nasty dent in the second half of 1980, when deep depression in the steel industry (following the strike) removed much of the demand for refractories. Surgery costing £6m below the line at the year-end has since had the planned effect on costs: last year's £2.4m loss on refractories could turn into a surplus of £2m even though demand has not recovered. Mothballing of kilns and 2,500 redundancies have narrowed the cost-base: breakeven output is thought to have fallen by 35 per cent. Unfortunately the benefits of tight management in the UK are being offset to some degree by disappointments in the U.S. At the trading level, Hepworth's American companies are suffering from the Reagan squeeze, as construction activity slows. These same companies are being financed by over £20m of short term dollar debt, and U.S. prime rates in excess of 20 per cent have had a directly negative effect on pre-tax profits. Hepworth seems likely to reach £25m this year — compared with £36m in 1979 — suggesting a fully-taxed multiple of about 15. At 114p (down 3p) the shares yield 6¾ per cent historic; safe enough despite the probable absence of current cost cover.

Camrex to pay 1.64p interim

FOLLOWING THE return to profitability in the second half of last year, Camrex (Holdings) has recorded a pre-tax profit of £187,000 for the first six months of 1981, against a loss of £1.02m last time. And the board remains confident that the improving trend of trading, as previously forecast, will continue.

The board says the turnround in the company's fortunes indicates that the changes and improvements referred to in the last annual report are beginning to bear fruit. Pre-tax loss for 1980 was £689,000.

The company, which is engaged in the manufacture of specialised coatings and is an anti-corrosion engineer and contractor, is restoring the dividend after a one year absence with an interim of 1.64p net. First-half stated earnings per 20p share were 1.8p (9.65p loss).

A full revision and strengthening of marketing and sales organisation is under way and this will lead to a much greater impact over the next few years in areas of continuing and future market potential.

In addition, the increased efficiency of the company's own production units will add to the benefits already being felt. This will enable Camrex to maximise returns on the new and improved products for major market applications, especially in the marine business.

The programme for the introduction of new products is moving to plan

As a result of the trading improvement and the tighter control procedures effected on stocks and debtors, the company has been able to cut bank borrowings by repaying a short-term loan of £1m. The positive trend in cash flow will continue in the second half.

Turnover for the six months was lower at £9.19m (£10.25m). The pre-tax result was struck after interest of £332,000 (£503,000), depreciation of £243,000 (£272,000) and a £556,000 provision last time for future losses.

Tax charge was £14,000 (£86,000 credit) and attributable profits came through at £173,000, against a £1.45m loss. The 1980 figure was after a minority credit of £5,000 and an extraordinary debit of £520,000.

Blackwood Hodge in loss after six months

ALTHOUGH SALES remained fairly static at £155.97m, compared with £154.51m, Blackwood Hodge, which sells and services earthmoving equipment, plunged into the red in the first half of 1981 incurring a pre-tax loss of £1.9m, against a profit of £3.82m.

In his annual statement last May Mr W. A. Shapland, the chairman, said the directors were confident that the group would continue to be profitable in 1981. He said they had seen changes which they believed would improve long-term trading.

Commenting on the half year Mr Shapland says the group's trading operations continued to be affected by the problems created by the recession in most parts of the world.

Government reductions of public expenditure and lack of incentive for investment in the private sector together with measures to control inflation by the restriction of credit and the maintenance of crippling high interest rates he says have created a situation in which it is virtually impossible for the group to earn a proper return on its investment.

Mr Shapland says this state of affairs must change but he believes it will take time and he cannot look for any substantial improvement until possibly mid-1982.

Sales of construction and mining equipment are likely to be sluggish and short working in the industries the group serves is resulting in lower demand for service and parts. In an endeavour to maintain its market position Blackwood is sometimes taking orders at uneconomic prices the chairman adds.

The half-year taxable loss was struck after interest, up from £6.13m to £7.66m, a share of profit of a Nigerian associate of £504,000 (£81,000) and an exceptional charge of £1.5m (nil).

After tax of £1.06m (£2.18m), minority losses of £153,000 (£60,000 profit) and writing off £950,000 for the cost of goodwill of two businesses recently acquired (one in Alberta; the other as an extension of the group's Vendops business in the UK) there was a deficit of £3.7m, compared with a surplus of £1.6m.

There was a stated loss per share for the half year of 3.59p (1.94p earnings) basic and a loss of 3.18p (1.86p earnings) fully diluted.

The directors say they are confident that the problems created by world conditions will be overcome and believe it would be right to continue dividend payments (the interim is halved to 0.5p net) in spite of the deficit. However, they warn that funds applied in dividend payments will increase the demand for finance by the business and increase borrowing costs.

For 1980 a total of 2.5p was paid from taxable profits well down at £4.89m (£10.88m).

The directors say the cost of money is probably the group's major problem. The average level of borrowings has not changed materially over the past four years but the cost has doubled in the period and it has not been possible to cover any material part of this additional cost in the charges to its customers, they say.

A breakdown of group sales for the half year shows: UK £53.81m (£54.41m), Europe £20.29m (£26.93m), Africa £20.25m (£18.38m), Australia £31.72m (£22.93m), Asia £2.23m (£2.8m) and North America £25.58m (£26.05m).

● comment

Blackwood Hodge's shares were already discounting some pretty gloomy results but they fell 3p anyway to a new low of 27p yesterday. The company has always been highly geared to maintain its large stocks, but it is now painfully caught between high interest rates and declining markets. Canada, for instance, where the group has a full third of its borrowings, has kicked in a pre-tax loss of nearly £1m in the half year and shows little sign of recovery. Not surprisingly, income gearing for the group has shot up to 113 per cent from 62 per cent last year. It is possible that the exceptional items, related to troubles in an unnamed African country, could be written down in the second half, but this provides little cheer. Nigeria's turnround could be short-lived as its figures are now six months old and with oil prices softening, the Nigerians could again curtail their construction activity. The company is not optimistic about the full-year result and does not predict any real recovery until mid-1982. Market capitalisation is just over £21m.

Maynards slips to £2.01m

DEPRESSED TRADING conditions trimmed taxable profits of Maynards from £2.17m to £2.01m in the 12 months to June 30 1981 on increased turnover of £57.36m compared with £46.44m. Second-half pre-tax figures slipped from £513,000 to £484,000.

The year's dividend is being raised to 9.375p net (8.75p) per 25p share with a final of 6.25p (6.875p)—the interim had been increased to reduce the discrepancy between the two distributions. Earnings per share are stated at 36.85p (43.21p).

Mr H. Peter Salmon, chairman of this confectioner, says he considers the result satisfactory given the adverse factors of lack of growth in the sugar manufacturing industry, severe competition in retail outlets and increased unemployment. However, he says there is no reason to believe there will be an improvement in trade in the current year.

The increased turnover includes sales from shops acquired in January 1981 but the trading profit of £1.74m (£1.52m) has been reduced by the initial losses from these shops.

Taxable profits were struck after exceptional debits of £266,000 (£646,000) derived mainly from the sale of the London CTN retailing division warehouse—when the group started to service the London district from Bristol. The figure also includes profits from the sale of other surplus properties and the goodwill of businesses purchased.

Tax took £208,000 (£56,000) leaving attributable profits of £1.8m (£2.11m). Current cost adjustments reduced the pre-tax profits to £1.39m.

Telefusion up sharply at £2.5m

TAXABLE PROFITS of Telefusion, whose activities include the sale and rental of radios and televisions and video recorders, advanced sharply from £978,000 to £2.54m in the year to April 25 1981 on lower turnover, excluding VAT, of £71.47m, compared with £74.5m.

Most of the increase came in the second six months, profits for that period rising by £1.52m to £1.59m.

The overseas subsidiaries showed an increase in taxable profit from £500,000 to £700,000.

Pre-tax profit of the group was struck after depreciation, leasing and other costs of £8m (£8.76m) and interest of £1.79m (£1.49m). Last year there were associate earnings of £60,000.

Tax increased sharply from £4,000 to £1.02m and after extraordinary debits of £631,000 (£1.76m) the attributable balance emerged at £890,000, against a deficit of £784,000.

Stated earnings per 5p share rose from 2.08p to 3.28p and a final dividend of 0.93p (0.83p) raises the net total marginally from 1.5p to 1.6p.

On a CCA basis the pre-tax surplus came through at £1.72m.

● comment

Telefusion has made a substantial recovery but not quite as good as had been expected. For once it was the rental operation that let the side down. A rise of 7 per cent in rental charges at the beginning of the year was budgeted to take care of cost increases and give a £½m or so fillip to profit. In the event costs increased by more than expected and the level of disconnections was greater than anticipated. Thus profits from the rental operations were virtually unchanged at £3½m. Meanwhile Trident discount retailing which has provided a long running saga of heartaches, showed some signs of coming right. The distribution system has been restructured and though Trident made a £1.4m overall loss for the year (after £½m of exceptional costs) the deficit in the closing six months was down to £300,000 after allocating central expenses. Retailing is still far from buoyant but the latest set of figures raises some hopes that Trident will no longer drag the group down as it has in recent years. At 49p the shares yield close to 5 per cent and are valuing the company around 2½ times last year's cash flow. Given the years of problems the market will still take a cautious view and with the Wilkinson family holding voting control hopes of a bid in earlier years have presumably evaporated by now.

Better trend at Heywood Williams

For the first half of 1981, Heywood Williams Group, building materials supplier, made a modest taxable profit of £32,000, after charging interest of £402,000. For the previous eight months interest took £659,000 and a pre-tax loss of £149,000 was incurred. Last year the company changed its financial year-end from April 30 to December 31.

The profit trend reflected in the first-half results is continuing and Mr Ralph Hinchcliffe, the chairman, expects improved trading figures in the second six months.

Turnover was £15.52m (£21.11m). The company is continuing its policy to reduce involvement in activities outside of glass, windows, patent glazings and aluminium extrusions. But the withdrawal from activities is proving more expensive than anticipated and further provisions have been made, resulting in an extraordinary charge of £124,000.

No interim ordinary dividend is recommended, following the omission of payments for the previous period. There is no tax for the six months (£5,000 for eight months) and after preference payments of £2,000 (same) the overall deficit emerged at £94,000 (£805,000).

Stated earnings per 25p share were 0.4p (1.9p loss).

Severe losses at Yorkshire Chemicals

A PRE-TAX loss of £1.59m is reported by Yorkshire Chemicals for the half-year to June 30, 1981. In the corresponding period last year, the company had pre-tax profits of £408,000. The board says the severe worldwide recession in the chemical industry which became apparent during the second half of 1980, continued through the first half of this year.

Group sales fell from £11.99m to £9.36m, with UK sales down from £3.16m to £2.43m and the overseas figures down from £8.84m to £6.93m. The pressure on sales margins remained and the continuance of short-time working until the third week in April resulted in a substantial under-recovery of overheads.

Again there is no interim dividend—nothing was paid for the whole of last year when the company incurred losses of £859,000.

The pre-tax figure was struck after depreciation costs of £563,000 (£596,000), net interest charges of £307,000 (£646,000) and realised exchange losses of £172,000 (£146,000). Provision of £200,000 was also made for non-recurring items.

Mr T. McDonald, the chairman, says the rate of loss has reduced considerably following the return to five-day working in April. Production and sales are now in balance, although at a lower than acceptable level of capacity usage. The order book is healthier than a year ago.

He believes that fundamental trade recovery will be slow but he anticipates that pre-tax losses in the second half will be significantly lower than those incurred in the first half.

In the longer term, he says the group is seeking to broaden its product and end use base.

The chairman states that against the background of a world-wide reduction in demand, intense price competition, high interest rates and a strong pound, the group has paid close attention to the preservation of its liquidity.

Stocks have been reduced by £1.82m during the first half, and careful management of cash flow has resulted in the virtual elimination of short-term borrowings.

Yorkshire Chemicals manufactures dyes and tanning materials.

Loss-maker F. Austin launches £500,000 cash call

LOSS-MAKING furniture manufacturer, F. Austin (Leyton), which has just bought Beautility from Bowater for £1, is launching a £500,000 cash call on shareholders to help fund extra working capital requirements of the enlarged group.

The issue is of 500,000 11¼ per cent partly convertible redeemable preference shares 1994 of £1 each on the basis of one for every 24 ordinary at par.

Along with the cash call Austin released its figures for the full 12 months ended July 3 1981 showing a loss of £1,866,000 before tax against a deficit of £664,000 the year before.

No dividend is being recommended for the year. In the previous period the only payment was an interim of 0.183p per share.

At the interim stage, when the company announced a half-time loss of £1,232,000 against a profit of £141,000, the directors said that stringent action had been taken and Austin was operating close to break-even.

However trading conditions remained difficult and further trading losses were sustained in the second half which have been increased by heavy stock write-downs.

The acquisition of Beautility from Bowater is a major step in an attempt to make greater use of the company's production facilities at Leyton and thus restore the company to profitability.

Beautility is an old-established cabinet maker, manufacturing living room and bedroom furniture. The products of two companies are said to be compatible and complementary.

Prior to the acquisition of Beautility all its employees were made redundant. Austin has since engaged approximately 35 per cent of them. Beautility's property assets had also been disposed of. Its manufacturing operations will be moved from Edmonton to Austin's Leyton plant, a move which should be completed before the end of the year.

The rights issue is being underwritten by Industrial and Commercial Finance Corporation. Certain directors and their families holding 40.11 per cent of the equity will not be taking up the rights. Mr R. H. P. Cradick, the chief executive, will be taking up the whole of his entitlement.

ICFC will hold, after conversion, a minimum of 10.03 per cent and a maximum of 24.39 per cent of the enlarged capital.

Apart from the rights issue further funds are being raised by a short-term loan from Bowater of £350,000 at a rate of 1½ per cent over Barclays Bank's base rate. The loan is repayable on December 31 1981.

A pro-forma balance sheet after taking in the acquisition loan, rights issue and property revaluation throwing up a £1.16m surplus shows net assets at £3.76m. The bank overdraft amounts to £1.51m on top of the £350,000 loan from Bowater.

The new preference shares will be convertible, at the option of the holder, during the 30-day period following the posting of the annual accounts for each financial year commencing 1983, and ending with the year 1991.

On conversion a holder will be entitled to receive eight ordinary 10p shares and one 11¼ per cent non-convertible redeemable A preference share dated 1994. Any preference shares and A preference shares still outstanding on January 1 1994 will be redeemed at par.

Holders will receive dividends on the preference half yearly on January 1 and July 1. It is proposed that, assuming distributable reserves to be available, a first dividend will be paid of 7.98p next July.

An EGM is being called for October 5 to consider proposals allowing the rights issue to go through. The directors, who have been advised by Barclays Merchant Bank, and their families holding 47 per cent of the equity intend to vote in favour of the resolutions.

BIDS AND DEALS

Mr Gulliver buys 20% stake in Linfood Holdings

MR JAMES GULLIVER is extending his food interests through a £12.3m acquisition of a 20 per cent stake in **Linfood Holdings**, the wholesale, cash and carry and retail grocery group.

On the stock market, shares of Linfood rose 6p to 160p.

Through his **Gulliver Foods** company, he bought the shares from the financial group, Guinness Peat, paying 139 21/64p ex dividend per share.

The purchase could not be made by Argyll Foods at this time, the food group which Mr Gulliver heads, since the Stock Exchange regulations require the prior approval of Argyll Food shareholders before a transaction of this size can be carried out. The seller of the shares wished to complete an immediate unconditional contract.

If approval is gained from Argyll shareholders, Argyll will be offered the opportunity to purchase the shares at purchase price plus costs.

Gulliver Foods and its parent company James Gulliver Associates Investments, together own 31.1 per cent of Argyll Foods and 33.1 per cent of the preference capital.

Linfood reported earlier this month pre-tax profits for the year ending April, 1981 £1.3m lower at £8.92m. The group blamed the poor performance at Gateway retail subsidiary. In March this year Linfood announced a series of board changes to improve efficiency and group profitability.

Provident Life and Winterthur discuss revised offer terms

THE ATTEMPT by the major Swiss insurance group **Winterthur Swiss Insurance** to gain control of **Provident Life Association of London** took a new turn yesterday when Provident announced that it had started talks with Winterthur on a revision of the terms of its offer.

The share price of Provident Life was suspended at 325p at the request of the company.

On August 17, Winterthur announced its intention of bidding for the 74.54 per cent of equity of Provident Life that it does not already own. The offer price was 320p per share in cash, and Winterthur stated that this was a final offer. This was followed on August 26 by the formal offer document.

In between, Provident Life had rejected the offer as inadequate and not in the shareholders' interests. Provident Life is controlled by former Tory minister John Profumo and other members of the Profumo family, who between them own around 40 per cent of the equity, with the staff pension fund of Provident Life holding another 7.4 per cent.

Winterthur stated that it was not currently making a new offer for Provident Life, but was open to new initiatives by the company. It declined to comment on whether new merger talks were under way. Winterthur, however, confirmed that the terms of the existing offers had been extended from September 16 to 3.30 pm on September 30 1981.

Under the Takeover Panel rules, a company cannot improve its final offer unless there has been a counterbid or the two companies involved have reached an agreed bid. In the latter case, which would apply to Winterthur and Provident Life, the offer can be increased provided no shares have been bought in the open market. In either case official approval is needed from the Panel.

It is understood that no shares have been bought in the market and that both companies are keeping the Panel fully informed of the position.

It would appear that Provident Life in the absence of any counterbidder is seeking a higher offer from Winterthur. But there is no indication of what price would be acceptable. Provident Life meanwhile is advising its shareholders not to take any action and a further announcement will be made as soon as possible.

Glynwed comes in with rival bid for Durapipe worth £3.9m

Glynwed, the engineering building products and steel group, yesterday emerged as a rival bidder for **Durapipe International** with an offer worth 40p cash per share which the board is recommending.

At the same time Glynwed announced that Cazenove and Company would purchase Durapipe shares in the market up to a maximum of 29.9 per cent and by early afternoon had achieved that objective, purchasing 29.8 per cent.

Glynwed's bid—which values the company at £3.93m—compares with a 27p per share bid from Wavin Plastics, a UK subsidiary of a company jointly owned by Shell and a Dutch water company, which the directors had rejected outright.

Giving their reasons for the offer the directors of Glynwed say that Durapipe has a leading position as a manufacturer of specialised industrial thermoplastic pressure pipework systems. Glynwed believes that this and Durapipe's other areas of activity are complementary to its existing building materials products divisions.

A condition of the offer—which is being accepted by the directors in respect of their 1 per cent holding—is that the special meeting called to approve the issue of preference shares to raise £2.1m be adjourned. The directors have agreed to seek this.

Berec urges rejection of Hanson's 'opportunist' bid

THE directors of **Berec**, the Ever Ready battery group, have recommended shareholders not to take any action in response to the £73m offer by **Hanson Trust**, the international holding company.

They say Hanson's offer is "opportunist and inadequate, and shareholders are strongly advised not to sell their shares."

Mr C. G. Stapleton, the Berec chairman, says in the formal rejection letter that the company is at a low point in its profitability, having invested considerable sums on the development of new battery systems. A total of £20m has been spent since 1978, of which £9m has been written off against profits (including £5m in the year to February 28 1981).

He says profits have been further depressed by interest on borrowings undertaken to finance this expenditure, amounting to £6.5m in 1981. The period of heavy capital expenditure is coming to an end and should give rise to a positive cash flow within the next 12 months.

The directors expect that 1982 will be the year in which the significant profits arising from these products will commence.

The rejection letter continues: "The value of £73m put on Berec by Hanson's offer is substantially accounted for by two parts of Berec's business which are peripheral to its main European battery activities, namely its wholly-owned subsidiary in South Africa and Crabtree Electrical Industries.

The directors of Berec believe that the offer is prompted solely by financial opportunism on the part of Hanson. Hanson, they say, did not attempt to discuss any aspect of its offer with Berec prior to its announcement.

They do not believe that Hanson has anything to contribute to Berec's business or the prospects of its employees.

Hanson's offer, made on September 4, was on the basis of three shares in Hanson for every eight ordinary in Berec or 105p in cash for each ordinary share in Berec.

Gallaher offer goes unconditional

J. Henry Schroder Wagg and Co. says that, since the acquisition of Ofrex by Gallaher Investments is not to be referred to the Monopolies and Mergers Commission, its offer on behalf of Gallaher has now become unconditional.

Acceptances of the offer, dated August 20 1981, have been received in respect of 1.2m ordinary shares (84.8 per cent of the shares available for acceptance).

Holders of 258,693 shares in Ofrex elected to receive loan notes instead of cash in respect of their shareholdings. Gallaher now hold or have acceptances in respect of 19.65m shares (98.9 per cent).

The offer will remain open for acceptance until further notice.

Cazenove and Company yesterday purchased 13,989 Ofrex shares at 190p on behalf of Gallaher Investments.

FIH acquires Pendy in £1.4m cash deal

Ferguson Industrial Holdings has acquired for Fl 17.2m (£1.4m) cash the privately owned **Pendy Group of Companies**, which manufactures plastic garment hangers.

Pendy group sales for 1980 totalled some Fl 19m, of which around 50 per cent was to UK customers, 40 per cent to the Netherlands and the balance mainly to Belgium. On the basis of the 1980 accounts of Pendy, as adjusted for subsequent revaluation, the aggregate value of the net assets being acquired is equivalent of £1.2m. Pre-tax profits for the same period were £240,000.

Pendy will become part of the FIH printing and packaging division which operates in complementary markets.

IMI/ASSOC. ENG. JOINT VENTURE

IMI and **Associated Engineering** have agreed in principle to participate in a joint venture company in South Africa for the manufacture and servicing of automotive and other radiators and heat exchangers, as well as related engineering components and parts.

The new company, in which Associated and IMI will each have a 50 per cent interest, will be called **Silverton Engineering Holdings (Proprietary)**. It will take over Associated's existing Silverton division, which comprises Silverton Engineering, S.A. Radiator Wholesalers and Silverton Radiator Services.

IMI, through its UK subsidiary, IMI Radiators, has substantial interests in the same field, including research and development which will be made available to the new company.

Smiths Industries buys U.S. technology firm

Smiths Industries PLC (SI) has bought Integrated Air Systems Inc. (IAS) of Valencia, California.

IAS manufactures and sells laminar flow clean-air units, mainly for the semi-conductor industry, which have potential for use in the pharmaceutical industry and for medical and surgical processes that need a precise locally controlled environment.

In 1980, 40 per cent of IAS's $18.8m sales were to semi-conductor companies in Silicon Valley. Other customers include household names in high technology in the U.S. and abroad.

Previous shareholders, Frank Kelso and Arnold Gustin, will remain as president and executive vice-president respectively. The company operates out of a new 140,000 sq ft facility, 30 miles north of Los Angeles, and employs 230.

Roger Hurn, chief executive of SI said: "I believe that with their new facility IAS will continue its highly profitable growth. I am impressed with the people and excited with this extension of our interest in both the micro-electronics and the medical fields."

The cost of the acquisition was $13m plus expenses.

NEB/BRITISH ROBOTIC SYSTEMS

The British Technology Group has announced that the **National Enterprise Board** has completed the acquisition of **British Robotic Systems** from its previous shareholders, Systems Programming and Remek Micro-electronics.

British Technology Group sees the establishment of BRS as another significant initiative in the robotics sector of advanced manufacturing.

R & W receiver sells stakes in two companies

Estel Rothe Erde-Schmiedag has acquired the 50 per cent holdings in Roballo Engineering Company and Rothe Erde (Great Britain) previously held by Richards and Wallington from that company's receiver, Mr Mark Homan of Price Waterhouse. Both companies now become wholly owned subsidiaries.

Roballo Engineering was formed in 1958 (jointly owned by R and W and Estel Rothe Erde-Schmiedag) to market the Rothe Erde range of bearings in the UK that were manufactured in Dortmund, West Germany. Its share of the UK market developed considerably.

The company's own manufacturing base—Rothe Erde (GB)—was opened in the UK in 1978, at Peterlee, Co. Durham. It held about 70 per cent of the UK market in 1979-80.

SANGERS OPTICS

The sale of Sangers Optics and certain related properties to **Dolland and Aitchison Group** for £5.7m was approved at an EGM of Sangers Group yesterday.

Stewart Plastics up to £2.56m

TAXABLE PROFITS for Stewart Plastics rose from £2.27m to £2.56m for the year to April 30 1981. Turnover, excluding VAT, was slightly down from £8.55m to £8.34m.

The final net dividend was lifted to 1.8942 (1.722p) making a total for the year of 2.9146 (2.7424). Stated earnings per 25p ordinary share were 14.6p (10.6p). The board has announced a scrip issue of one-for-two. Tax was lower at £900,306 (£1,067,373).

Second half pre-tax profits were higher at £1.3m (£1.21m). Interest received rose to £662,161 (£572,787). The company manufactures plastic articles for domestic, horticultural and industrial use.

Matthew Clark falls to £1.94m

A LOSS of £251,000 from Crokerton Haulage and a decline in both sales volumes and margins have led to pre-tax profits of Matthew Clark and Sons, wine and spirit shipper and merchant, showing a reduction from £2.66m to £1.94m for the year to April 30, 1981. At eight months, the figures were down from £2.17m to £1.73m.

Turnover for the 1980-81 year totalled £33.83m (£32.63m), net of Customs and Excise Duty of £22.22m (£21.24m). At the net attributable level, profits were more than trebled at £2.77m (£0.84m), which reflected a tax credit of £2.71m (£1.45m charge) arising from the release of £3.31m of deferred tax.

Stated earnings per 25p share jumped from 19.8p to 80.3p, but the dividend is unchanged at 7.5p net with a same-again final of 5.5p.

Current cost pre-tax profit was £854,000.

Black & Edgington loss rises

PRE-TAX LOSSES of Black and Edgington increased from £265,000 to £554,000 for the first half of 1981, on lower turnover of £27.31m, compared with £33.97m. The interim dividend is again omitted.

The company does not anticipate any recovery in the second six months and says it is unlikely that any significant dividend can be paid this year. The costs in reducing its workforce by over a third are also very heavy.

There are however, many parts of the group which have performed reasonably well and the board's aim has been to turn round or eliminate the loss-making activities. The company hopes it is on course to return to profits in 1982 without relying heavily on any economic upturn.

Discontinued activities accounted for £0.55m (£4.17m) of turnover and £138,000 (£130,000) of losses. Interest charges were reduced from £1.04m to £0.65m reflecting lower borrowings and with tax taking £50,000 (£60,000) the net loss emerged at £604,000 (£345,000).

The company is engaged in camping, canvas and clothing, caravan distribution, travel agencies and tour operation. For 1980, it made a pre-tax loss of £11,000 and paid a final dividend of 1p net per share.

Magnolia makes headway in first half

FOR THE first half of 1981, **Magnolia Group (Mouldings)** reports pre-tax profits ahead from £387,000 to £423,000 on turnover up from £3.54m to £4.04m.

At the last AGM, Mr R. J. Wallrock, the chairman, stated that he was reasonably confident that profits for the current year would be maintained.

He now says that he cannot see any sign of a long-term improvement in general trading conditions, but the policies the company has pursued have been modestly successful.

After tax of £220,000 (£201,000), first-half earnings per 10p share are shown at 3.55p (3.37p) and the net interim dividend is held at 0.6p. Last year's total payment was 2.1p from profits of £750,000.

The company operates as a manufacturer and importer of picture frame mouldings.

Thurgar Bardex tumbles

Profits of **Thurgar Bardex**, plastic products manufacturer, more than halved in the 26 weeks to June 27 1981 the pre-tax figure emerging at £104,000, compared with £233,000. Turnover slipped from £4.1m to £3.74m.

However, the net interim dividend is being maintained at 0.3p per 10p share—for 1980 a total of 0.9p was paid from taxable profits of £268,000.

The directors say trading in the first quarter started at the same depressed level it ended 1980, but improved towards the end of the period. Volume in the second quarter was much improved, they say, but margins remained low due to the group's inability to recover all increased costs in selling prices.

The half-year pre-tax surplus was struck after depreciation of £145,000 (£124,000) and interest charges £39,000 lower at £80,000.

Stated earnings per share fell from 1.64p to 0.66p.

Bridon plunges

ALTHOUGH PRE-TAX profits of Bridon, engineer and manufacturer of wire, wire ropes, fibre and plastic products, plunged from £5.68m to £3.75m in the first half of 1981, Mr J. Laird, the chairman, points out that they were substantially higher than for the second six months of 1980—profits before tax for that period totalled £130,000.

He expects broadly similar results to those of the first half for the second six months.

However, the net interim dividend is being reduced from 2.3p to 1.2p net per 25p share—last year a total of 3.5p was paid.

The half year pre-tax surplus was after depreciation (net of grants released) of £1.78m (£1.85m), interest payable less receivable £1.91m (£4.08m) and included a share of profits of associates of £1.41m (£5.3m).

Below the line tax took £2.44m (£3.12m). Minority share of profits was £196,000 (£76,000 loss) leaving the net balance at £1.12m (£2.63m).

Extraordinary charges of £934,000 (£2.21m gain) reduced the attributable profit to £184,000 (£4.85m).

Stated earnings per share fell from 4.83p to 2.05p.

● comment

Bridon's painful rationalisation programme, including last year's closure of loss-making Ashlow Steel and Engineering, seems to be slowly producing results. Pre-tax profits may be down substantially, but the picture is not quite so bleak when account is taken of the contribution made by Haggie, the South African associate which has since been sold, to 1980's first half. Group trading profits are down just 4 per cent and much up on the second half of 1980, while the trading margin is fractionally better. Operating conditions are unlikely to improve much in the second half, with the UK market flat and fibres particularly depressed. The Americas, where both volume and operating profits were up in the first half, might again be a bright spot. Full year pre-tax profits of £7.5m, up £1.7m on 1980, seem possible, giving a p/e of 11. A final dividend of 2.3p, giving an unchanged 3.5p for the year, could be on the cards for a yield of about 6.5 per cent at 77p, up 1p.

BANK RETURN

	Wednesday Sept. 9 1981	Increase (+) or Decrease (−) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	
Public Deposits	34,671,863	− 3,725,491
Bankers Deposits	568,619,067	− 7,797,659
Reserve & other Accounts	1,615,231,226	+ 41,357,231
	2,233,075,156	+ 29,834,081
Assets		
Government Securities	538,750,259	− 37,961,584
Advances & other Accounts	1,045,291,915	− 396,271
Premises Equipment & other Secs.	623,874,895	+ 57,415,580
Notes	24,894,847	+ 10,799,792
Coin	278,240	− 23,436
	2,233,075,156	+ 29,834,081
ISSUE DEPARTMENT		
Liabilities	£	£
Notes Issued	10,725,000,000	− 125,000,000
In Circulation	10,700,150,153	− 135,799,792
In Banking Department	24,849,847	+ 10,799,792
Assets		
Government Debt	11,015,100	
Other Government Securities	8,756,130,458	− 21,532,640
Other Securities	1,957,854,442	− 103,467,360
	10,725,000,000	− 125,000,000

LONDON TRADED OPTIONS

Sept. 10. Total Contracts 676. Calls 583. Puts 93

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP (c)	300	14	50	30	6	40	—	304p
BP (c)	320	5	75	21	—	—	—	"
BP (c)	350	3	—	11	4	—	—	"
BP (p)	320	26	6	34	—	—	—	"
CU (c)	160	12	5	19	—	22	1	169p
CU (c)	180	5	2	10	—	13	—	"
Cons. Gld (c)	420	125	1	130	5	142	—	536p
Cons. Gld (c)	460	85	5	98	5	110	—	"
Cons. Gld (c)	500	48	3	75	1	87	—	"
Cons. Gld (c)	550	19	3	46	4	63	8	"
Court'lds (c)	60	4	—	9	10	11	19	61p
Court'lds (c)	70	1½	—	4	10	7	—	"
GEC (c)	650	115	25	142	—	—	—	754p
GEC (c)	700	72	27	102	1	125	—	"
GEC (c)	750	32	15	65	—	92	—	"
GEC (c)	800	10	8	35	3	62	8	"
GEC (c)	850	2	2	17	1	37	—	"
Gr'd Met. (c)	180	16	57	28	1	32	—	189p
Gr'd Met. (c)	200	5	—	16	2	20	1	"
Gr'd Met. (p)	200	15	—	18	5	19	—	"
Gr'd Met. (p)	220	34	—	35	2	36	—	"
ICI (c)	260	13	2	24	—	34	1	262p
ICI (c)	280	5½	16	15	—	24	2	"
ICI (c)	300	2	—	8	2	15	1	"
ICI (p)	260	9	3	12	2	17	11	"
ICI (p)	300	40	—	44	—	46	10	"
Land Sec. (c)	336	6	—	14	1	—	—	319p
Mks & Sp. (c)	140	3	11	8½	1	15	1	134p
Shell (c)	330	44	1	50	—	—	—	368p
Shell (c)	360	16	5	32	10	40	—	"
Shell (c)	390	6	2	15	1	26	—	"
Shell (p)	360	12	—	16	25	22	1	"
Shell (p)	390	32	—	34	10	40	—	"
Shell (p)	420	62	—	64	—	65	—	"
		November		February		May		
Barclays (c)	460	20	—	38	1	45	—	450p
Imperial (c)	60	5	3	7½	3	9	—	65p
Imperial (c)	70	1	—	3	20	4½	2	"
Lasmo (c)	600	10	—	30	10	40	—	510p
Lasmo (c)	650	5	5	14	—	—	—	"
Lasmo (c)	700	3	25	—	—	—	—	"
Lonrho (c)	80	7½	2	11½	—	13	—	87p
Lonrho (p)	90	7	5	9½	—	11	—	"
P & O (c)	110	7½	2	12½	1	15½	1	115p
P & O (c)	120	2½	13	6½	—	9½	5	"
P & O (c)	130	1½	3	3½	—	—	—	"
Racal (c)	390	65	1	85	—	—	—	445p
Racal (c)	420	43	8	68	—	77	—	"
Racal (c)	500	4	—	25	2	35	—	"
Racal (p)	420	15	2	20	—	23	—	"
Racal (p)	460	30	6	38	—	43	—	"
Racal (p)	500	62	5	67	—	72	—	"
RTZ (c)	450	92	45	129	—	—	—	534p
RTZ (c)	550	33	18	69	—	85	—	"
RTZ (c)	600	25	10	47	1	60	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$375	6	87	—	—	—	—	$452
GOLD C	$400	13	65	1	84 B	—	—	"
GOLD C	$425	11	44 B	17	65	—	—	"
GOLD C	$450	14	28 B	45	51.50	—	—	"
GOLD C	$475	84	16	5	35	—	—	"
GOLD C	$500	27	10	10	25	—	—	"
GOLD C	$550	27	2	—	—	—	—	"
GOLD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GOLD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GOLD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GOLD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Oct.		Jan.		April		
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AKZO P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMRO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEIN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEIN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEIN P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOG C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOOG C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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PHIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHIL P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHIL P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHIL P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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RD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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RD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS [illegible]

A=Asked B=Bid C=Call P=Put

UK COMPANY NEWS

United Biscuits surges to £24.1m

IMPROVED MARGINS resulting from cost cutting and *improved* productivity are reflected in a substantial rise in taxable profits of United Biscuits (Holdings) from £16.1m to £24.1m in the 28 weeks to July 18, 1981. Turnover improved £74.3m to £523.2m.

Sir Hector Laing, chairman, *says although* these figures must be seen against a disappointing first half in 1980—when there was a strike in the U.S. at Keebler and downstocking by UK customers—all major parts of the business contributed to the improvement.

The interim dividend of this food product manufacturer is being increased to £2.25p net (1.87p) per 25p share—last year a total 4.37p was paid from pre-tax profits of £47.8m. Earnings per share are stated at 5.6p (4.4p).

Looking to the future Sir Hector says the value of sterling relative to the dollar is a critical factor for the food industry. If the dollar remains at around its current level the group will derive greater benefit in the second half of 1981 in translating North American profits into sterling, *but it will mean* increased UK ingredient costs in 1982 which may have to be passed on to the consumer in higher prices.

"Nevertheless, our policy is to hold our prices wherever *possible and to maintain or* improve our margins by reducing unit costs."

The group's trading performance in the autumn will have a significant bearing on results for the year. However, the directors' *forecasts* indicate an excellent year both in the UK and the U.S. *although, when viewed* against a strong second half in 1980, the *percentage increase in* profit in the second half will not match that of the first.

A geographical breakdown of turnover and trading profits shows: UK (including exports) £328.9m (£298.7m) and £17.2m (£12.4m); North America £181.1m (£187.2m) and £12.3m (£8m); and rest of the world £13.2m (£13m) and £400,000 (nil). These profits were struck after depreciation of £12.3m (£10.3m).

Interest charges took £5.8m (£4.3m) and after tax of £6.8m (£3.6m) *net profits* emerged at £17.3m (£12.5m).

See Lex

Bestobell moves ahead by 7% at halfway

A 7.1 PER CENT *increase* from £4.05m to £4.34m in pre-tax profits is reported by Bestobell for the six months to June 30 1981. Turnover of the controls, aviation and energy engineering group, was 6.8 per cent higher at £61.7m compared with £57.77m.

Mr A. B. (Sandy) Marshall, the chairman, says a major change in the structure of the *group* has been achieved with the sale, as planned, of the *greater part of the consumer* products division. The disposals have released resources on which an inadequate return was being made. This now enables the group to concentrate on developing the engineering businesses.

He says conditions in the UK have not been easy. The energy engineering group suffered a loss during the half, but this was *balanced to a large extent by* good performances from the specialist controls and aviation groups.

There were profit improvements in Africa and contracting in Zimbabwe produced very favourable results.

The results of the Australian group fell short of expectations. While merchanting and rubber and plastics both improved, the advance was insufficient to offset the reduction in profits in contracting, where the shortfall *reflected* a lack of major contracts during the period.

He says trading prospects for the remainder of 1981 are fairly assured in a number of the specialised sectors of its business. In the more traditional engineering sector it would seem that conditions are not getting worse. This, coupled with the fact that reorganisation costs are largely behind it, and that the improved gearing will result in lower *interest charges for the July/* December period, indicates a reasonable second *half* performance.

The pre-tax figure for the first half was struck after interest charges of £898,000 (£1.61m). After tax up from £1.65m to £1.79m, minorities of £98,000 (£89,000) and extraordinary debits of £1.8m (£582,000 credit), attributable profits were considerably lower at £638,000 against £2.9m.

The interim dividend is raised from 5.15p *to 5.4p — last year's* total was 12.25p *from pre-tax profits of £7.72m.* Stated earnings per 25p share were down from 17.2p to 16.4p.

At June 30, shareholders' funds stood at £40.75m (£32.86m).

● comment

The pace of Bestobell's profits growth has slowed from the days when it was trying to outdistance BTR. *Without a £1m* contribution from the recent *Avica acquisition and reduced* interest charges, the group would have shown a drop at the pre-tax level. On a CCA basis, trading profits are £3.5m, which gives an attributable loss of more than £1m after the extraordinary items and leaves the dividend payment totally uncovered. The group's energy engineering division has dropped into the red, although it is now showing some signs of a pick-up. The recent *rights issue has been applied* towards borrowings and gearings has dropped smartly to just over 8 per cent against more than 35 per cent last year. Overseas activities have picked up and now account, in sales terms, for more than half of the business. Overall, profit margins have held steady at about 8 per cent and indicate a full-year result of around £8.5m. Assuming the dividend is held at the final, the *shares, down 2p to 473p, yield* about 4 per cent. A prospective P/E *of 19 seems overly* demanding.

Lower home metal prices hit Lead Inds.

PRE-TAX profits of Lead *Industries Group fell by £4.6m* to £4.2m in the six months to *June 30, 1981, but the figures* were an improvement on the second half last year when the pre-tax figure came out at £1.5m.

Sales of this group with interests in smelting and fabrication of non-ferrous metals and the manufacture of chemical and paint products, fell from £221m to £213m. Increased sales in the U.S. and the associated companies were more than offset *by significantly lower sales by* UK subsidiaries, partly due to much *lower metal prices.*

The directors say that since June there has been little *improvement in the UK economy,* but there has been no further *deterioration.* Many of the group's customers are operating at levels well below their capacity but, they add, it must be recognised that some of their capacity may have been *permanently reduced.*

Rationalisation is having to *continue and despite the* announced works closures, the basic core of the group's UK business is being maintained and capital expenditure is still being encouraged.

As current profitability is very dependent on the UK and U.S. economies, the board says it is not yet possible to predict the timing of any significant improvement. Interest rates in most countries are still high and the results for the year may still be significantly affected by the movements in exchange rates, *but better trading profits are now* being achieved.

Trading profits in the first half were £11.8m compared with *£15.5m.* The pre-tax figure was struck after interest charges up from £6.7m to £7.6m. Depreciation, £2.8m (£2.5m), has again been based on historical values, with an additional charge of £2.9m (£3m) in the case of subsidiaries to provide total *depreciation* on the *estimated current* replacement values of fixed *assets.*

Estimated tax for the first half is £4.7m (£4.8m), and after minorities of £300,000 (£200,000), there was a net loss of £800,000 *(£3.8m profit).*

There was an extraordinary cerdit of £2.3m (£1.8m) which arose from further reductions in base stocks of some of the UK *metal companies.*

The net interim dividend is being maintained at *3.7p—last* year a total of 9.66p was paid *from pre-tax profits of £10.3m.* There was a loss per 50p share *of 2p against earnings of 9p* after depreciation on current values. Earnings per share after depreciation on historical values were 4.7p (16.1p).

Pre-tax profits on a CCA basis were £2.6m (£3.5m) and SSAP 16 gearing adjustments resulted in *a loss per share of 5.8p (3.2p).* On LIG gearing adjustment basis there would have been earnings of 4p (6.6p). LIG believes that the gain to the ordinary shareholder, as a result of having net monetary liabilities during a period of inflation, is more accurately calculated by applying its method rather than that *prescribed by* SSAP 16.

● comment

Lead did not feel the full brunt of the downturn last year till its third quarter. So a straight calendar comparison makes for gloomy reading with pre-tax profits more than halved. Yet the underlying trend is better than that. Profits for the first six months of this year are nearly *three times those of the preceeding* six months. The major factor behind this improvement has been the swift turnround at the associate Tioxide. Its profits surged from under £1m to over £7m following the closure of its Teeside plant in January dramatically cutting the level of UK *losses. Tioxide should chip* a further improvement in the *second half though it is a very* long way from making a decent return on its Greetham plant which is still carrying a lot of spare capacity. The market is looking for an increase in second half profitability enabling the company to produce something similar to last year's £10m *profit. Lead is still bumping* along the bottom in terms of profits but a case can be made for buying the shares at 168p given the recovery potential when U.S. interest rates eventually decline —income gearing in the first half was 64 per cent—and the demand picks up. Meantime the yield is 8.4 per cent.

R P Martin in record profits

RECORD PRE-TAX profits were made by R. P. Martin and Company, rising sharply from £978,000 to £2.17m, for the year ending June 30 1981. This is the second year running this foreign exchange and currency broker has seen *profits at a record level.*

The final net dividend is being *set at 5.5p (3p) making a total* for the year of 8.25p (4.5p), an 83 per *cent rise on last year.* Earnings per ordinary 5p share are *stated* at 30.36p (11.52p).

The current year has started well, says Mr M. D. Phelan, chairman and managing director. The London and overseas foreign exchange departments are already benefiting from the merger with Bierbaum.

The merger was not completed as at June 30 1981 so results from Bierbaum are not included. Completion for the merger is effective from July 1 1981, and re-listing of the company's shares on the London Stock Exchange is expected during September.

Turnover rose from £6.96m to £9.91m. Associated companies contributed £676,000 (£276,000) to trading profits. Tax increased to £906,000 (£499,000) and minority interests took £12,000 (£3,000). Retained profits rose from £290,000 to £912,000.

● comment

The past year's volatile exchange markets have been good for money brokers. Even so, R. P. Martin has done exceptionally well in making almost 4½ times *as much before tax as it did two* years ago. The main reason is that—after years of disappointments—it has licked its overseas network into shape. More than *half Martin's profits are now* earned in New York, Hong Kong, or Bahrain. In the merger with Bierbaum, this hard-won strength in broking outlets will be Martin's prime contribution; Bierbaum, for its part will enable these outlets to quote a much wider range of European rates. At the suspension price of 182p, the increased dividend yields 6.7 per cent.

Yule Catto at £3.5m mid-term

FOR THE first half of 1981 Yule Catto and Co. reports an advance *in pre-tax profits to £3.48m.* This compares with £1.19m for the six months to April 30 1980 and £2.39m for the 14 months to December 31 of that year.

Lord Catto, chairman, points out that although direct comparison *is* not possible with previous periods due to the change in year end, the results for the half year to June 30 1981 are clearly satisfactory. Comparison is also difficult because the results for the six months to April 1980 did not include any contribution from Revertex Chemicals.

All of the group's UK companies, he says, have remained profitable in spite of the recession. But he remains concerned that the low levels of activity in UK markets will not allow this to continue through the second half of the year in some subsidiaries.

Overseas the group has benefited *significantly from* the inclusion of the Malaysian and *South African subsidiaries of* Revertex. This was offset in part because the profit *from* Yule Catto Plantations was lower than the equivalent period last year due to low rubber prices and the subsidiaries in France and Italy reported small losses. Overseas trading profits contributed over 60 per cent of the total group profits.

Interest charges, which turned in at £762,000 (£29,000), remain high, particularly in the UK, as a result of the major acquisitions made last year. One of these acquisitions was a 20 per cent shareholding in Gas and Oil Acreage, which is now benefiting from revenue from the Buchan oil field and is forecasting a profit for the full year.

For the full year, Lord Catto does not anticipate a repeat of the first-half performance and the group results are very sensitive to the level of industrial activity in the UK and Europe, he points out. However, he says *the wide spread of interests of* the group provides some *protection and the asset base* is a source of strength for future growth.

For the six months, earnings per 10p share are stated at 6.45p *(2.56p)* and the net interim *dividend* is stepped up from 0.8p *to 1p.* The total payment for the 14 months to the end of December 1981 was 3p.

	Six months ended 30.6.81 £000	30.4.80 £000
Turnover	50,327	12,346
Trading profit	3,641	1,179
Inv. income	31	47
Share of assoc. profits	574	†9
Interest payable	762	29
Profit before tax	3,484	1,188
Tax	1,528	557
Profit after tax	1,956	631
Minority profits	547	196
Extraordinary credit	—	458
Attributable	1,409	893
Pref. div.	196	—
Ordinary	188	136
Retained	1,025	757

† Losses.

Schroders maintains dividend

Schroders is to pay a maintained *interim* dividend for the first half of 1981 of 3p net per *£1 share. Last year a total of* 10.5p was paid.

The directors of this banking, finance, investment and insurance group say profits for the six months were higher than those achieved during the corresponding period in 1980.

MINING NEWS

Northern Mining goes to law over Endeavour bid

BY GEORGE MILLING-STANLEY

AUSTRALIA'S Northern Mining, which holds a 5 per cent interest in Western Australia's big Ashton diamond joint venture, has resorted to legal action to try to force Mr Alan Bond's Endeavour Resources to proceed with its takeover bid for Northern on the terms of the original offer.

Endeavour has been summoned to a hearing of the Supreme Court of the State of Victoria, at which Northern is to apply for an order instructing Endeavour to go ahead with an unconditional offer for the 60 per cent of Northern which it does not already control.

A representative of Mr Bond's company said in London yesterday that Endeavour welcomes the suit, as an opportunity to see "who has been playing cricket in this matter." The suit is to be contested.

Endeavour withdrew its initial bid of A$3.64 per fully-paid and A$3.44 per partly-paid share, valuing Northern at something in *excess of A$50m (£31m),* last week. The company said at the *time that shareholders had not* been fully informed of a legal *challenge to the Ashton joint* venture's title to its diamond deposit.

The bid was renewed early this week, but on condition that legal action by Afro-West Mining and Exploration disputing the claim to the mining title is resolved in a manner "not materially adverse" to the financial interest of the target company.

Australia's securties watchdog committee, the National Companies and Securities Commission, promptly requested the Melbourne Stock Exchange to halt trading in Endeavour, and the shares of both companies *remained suspended yesterday.*

The Commission objected both *to Endeavour's renewal of the* offer on different conditions from *those under which it was originally* made, and also to the company's *statement* that the offer might remain open for up to a year if the *Afro-West claim* was not resolved by the time of the initial expiry date in six months.

Northern's application will be heard by a judge in chambers *on September 16.*

As an alternative to the reinstatement by Endeavour of its original unconditional offer, Northern is seeking an order that Endeavour be required to make an offer for all of the Northern shares it does not already own on the same terms as those *at which it recently* bought a block of around 20 per cent *from the* National Mutual Life Assurance Association of Australasia. These terms have not yet been made public.

BOARD MEETINGS

The following companies have notified dates of board meetings to the *Stock Exchange.* Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Allen Harvey and Ross. *Appleyard, Home Counties Newspapers,* Lyon and Lyon, McLaughlin and Harvey, George Oliver, Rowton Hotels.

Finals—Bracken Mines, Cantors, Celtic Haven, Guinness Peat, Haynes *Publishing,* Kinross Gold Mines, Leslie Gold Mines, St Helena Gold Mines, *Standard Industrial, Unisel Gold Mines,* Winkelhaak Mines.

FUTURE DATES

Interims—	
Amalgamated Metal	Sept 16
Cape Industries	Oct 6
Federated Land	Sept 21
General and Comml. Inv. Tst.	Sept 24
Home Charm	Sept 22
Liverpool Daily Post and Echo	Sept 16
Molins	Oct 9
Sunlight Service	Sept 23
Tricentrol	Sept 16
Welbeck Investments	Sept 21
Finals—	
Epicure	Sept 16
Westminster Country Props.	Sept 18

Longer life for Goldsworthy

A SIGNIFICANT extension to the life of the Mount Goldsworthy iron ore mining operation in Western Australia's Pilbara region has been announced by Consolidated Gold Fields.

Cons Gold owns 48.7 per cent of the operating company, Mount Goldsworthy *Mining Associates.* The other participants are the U.S.-controlled Utah Development with 33.3 per cent, and Australia's MIM Holdings with 20 per cent.

It was originally thought that the Goldsworthy operation's ore *reserves would be depleted by* 1979 or 1980, and that production would cease then. However, the joint venture partners have in recent years turned up pockets of ore sufficient to maintain operations, albeit at a slightly reduced annual rate of some 6m tonnes of iron ore a year.

Yesterday's announcement indicated that exploration work in *the mine area has increased* reserves of high-grade ore to a level sufficient to support the continuation of shipments at the rate of 6m tonnes a year through until the late 1980s. At its peak, the operation was producing *between 7m and 8m tonnes of* ore a year.

An *accelerated drilling* programme over the next few months is expected to add further to the reserves, and to outline the best sequence for their exploitation.

Apart from this, Cons Gold has also informed the Japanese customers for Goldsworthy's ore that mining area "C" is still ready and waiting to proceed as soon as worldwide demand for *iron ore picks up. The company* is confident that this area will be the next major development undertaken in the Pilbara area.

Mining area "C" was discovered by the joint venture partners some years ago at a distance from the current Goldsworthy operation, in anticipation of the cessation of production from that area.

In addition, the joint venturers are involved in discussions with the Japanese customers over the upgrading *of facilities at Port* Hedland, through which the ore *is shipped. This upgrading would* permit access to larger vessels, in line with the trend towards bigger ships for the Australia-Japan iron ore trade.

The joint venture is also concerned with studies on channel deepening at the port.

Philex midterm setback

LOWER METAL prices and increased operating costs have hit the profits of Philex Mining, one of the "big four" copper producers in the Philippines, reports Leo Gonzaga from Manila.

Philex realised a net profit of Pesos 122.76m (£8.7m) in the six months to June 30, 21.7 per cent down on the corresponding period of 1980 when metal prices, particularly gold, were higher.

Sales fell 2.9 per cent to Pesos 436.98m.

Increased foreign sales were more than offset by higher costs and lower metal prices, the company said.

Export shipments of copper concentrate, containing by-*product gold and silver, rose to* 49,471 tonnes from 48,521 tonnes in the first half of last year.

The *average price realised* for copper was 81.95 U.S. cents per *pound, against 98.25 cents last* time. The gold price received *fell to U.S.$509.02* per troy ounce from $567.48, while silver fetched just $11.63 per troy ounce compared with $15.80.

The company's statement disclosed that what it calls "operating and other costs" were 26.76 per cent higher at Pesos 259.01m.

Alan Friedman reports on a casualty of the turbulent market for Japanese convertible Eurobonds

Why Toshiba shelved a bond issue

"IF EVERYTHING had gone as planned, today would have been the pricing." With a wistful smile, Mr Nobuo Ishizaka, general manager of international finance at Toshiba Corporation, made the remark as he explained yesterday how and why the group's planned $100m convertible bond issue was postponed at the last minute.

Toshiba's decision last Friday, made in the wake of a disastrous week for Japanese convertible bonds, surprised the Eurobond market. In the past fortnight, prices have fallen sharply for Japanese convertibles — fixed rate bonds which may be exchanged by the holders for a predetermined number of shares in the issuing company.

The underlying reasons for the price slump include the recent weakness of the Tokyo and New York equity markets and the dollar-yen exchange rate.

But the most obvious reason for the Eurobond market's nearly wholesale rejection of Japanese convertibles has been the flood of new issues. Since June about $1.5bn has been raised by Japanese companies issuing Eurodollar bonds.

The Euromarket feared that Japanese companies planned to raise a hefty $2.5bn to $3bn between now and the end of November. But the Japanese Ministry of Finance is reported to have informally asked Tokyo security houses to refrain from rushing to the capital markets.

Toshiba's postponement was a big event last week. The company is a major name, its lead-managers included Credit Suisse, First Boston and Nomura Securities, and its borrowing history has been successful if infrequent.

Toshiba has come to European capital markets about once every two years for much of the past decade. Its last issue was for $50m in 1979. The company began work on its planned $100m convertible in the spring.

CSFB was hired as lead manager because it was decided that "in a European market we should have a European manager," explained Mr Ishizaka. "It is sort of like doing as the Romans do."

Nomura was also retained because Toshiba has a long-standing relationship with the house.

As the Tokyo stock market declined over the summer, Toshiba executives started thinking about how this would affect the Eurobond market, but decided there would be no major problem. By last week problems abounded, however, and Toshiba had to reconsider its strategy.

At stake was the $100m issue, scheduled for launch last Thursday. The money was only part of a broader exercise—Toshiba was simultaneously raising $400m on the Tokyo equity market by the issue of 200m new shares.

The money is to be used to fund Toshiba's capital expenditure of $500m over the next two years. Investment is planned for new production facilities near Tokyo for video discs, nuclear power generating equipment and industrial electronics.

Mr Ishizaka said Toshiba was supplementing its capital-raising

Mr Nobuo Ishizaka of Toshiba: "If you force an issue, the market remembers"

exercise with a bond rather than an equity offering in Europe because it wished to attract funds from the bond market. Its traditional source of European capital. Equity issues in Japan were quite rare—Toshiba last offered new shares 12 years ago.

But last Wednesday and Thursday the condition of the market for Japanese convertibles forced Toshiba to ask CSFB and Nomura for advice.

"The two houses each came to us with three alternatives. Nomrua was very much inclined to give preference to a $100m issue as planned with a lightly raised coupon of 5¾ per cent. Nomura Tokyo said this was their number one recommendation.

"The second Nomura option was to cut the issue to $50m and also have a higher coupon. The third proposal was postponement," Mr Ishizaka said.

"CSFB's recommendations were the other way round. Their first suggestion was postponement."

The conflicting advice led to a conference telephone call last Thursday evening, between Nomura and CSFB officials in London and Toshiba executives in Tokyo. "We got up at two in the morning to discuss the matter," noted Mr Ishizaka.

"We knew that forcing the issue was not the right thing to do. It is not only harmful to the name of Toshiba, but also to Japanese security houses. If you force an issue, the market remembers," he explained.

So the decision was taken, first to put off sending the invitational telex out until Friday. Then, on Friday, the chairman of Toshiba, Mr Kazuo Iwata, personally decided not to go ahead.

Said Mr Ishizaka: "The Japanese Ministry of Finance welcomed our decision and told us they were concerned about the excess of issues and the forcing of issues."

When will Toshiba try again? "As soon as it is feasible, as soon as the market turns," answered Mr Ishizaka.

In the meantime he concluded with some advice: "I am hoping that other Japanese companies coming to the market will be as flexible as we are and will not harm the market further."

Swedish engineer falls into the red

By Westerley Christner in Stockholm

BAHCO, the Swedish engineering group, has dipped into the red, returning a loss of SKr 21.3m ($4m) for the first half of 1981, against a pre-tax profit of SKr 3.3m a year ago.

The opening six months of the year are traditionally a period of low activity for the company, which makes tools and ventilation equipment. Bahco explained yesterday that its Latin American operation had been hit by the deterioration in the Argentine economy.

Sales for the half-year totalled SKr 962m, up almost 90 per cent on the opening six months of 1980. However, this growth is largely explained by the first time inclusion of acquisitions.

Seasonally stronger trading in the current six months has allowed Bahco to expect a return to profits for the year as a whole. For 1980 pre-tax earnings totalled SKr 32m on sales of SKr 1.2bn.

Earlier this year Bahco merged with Hiab-Foco, a Swedish company which makes hydraulic vehicle loaders. Much of Hiab's business is connected with the currently depressed world market for heavy trucks. The group also recently absorbed Record Ridgway, the UK hand tool company.

Bahco is controlled by the investment holding company, Promotion.

Ford to recall 390,000 U.S.-made Escort cars

BY IAN HARGREAVES IN NEW YORK

FORD MOTOR yesterday announced that it would recall its entire U.S. production of its Escort-Lynx "world car" to fix a possible fault in the vehicles' carburettor system.

Ford said it would be writing to owners of 390,000 cars, offering to pay for the insertion of adhesive into fuel-metering jets, which on some cars have worked loose, causing cars to stall and to be difficult to restart.

The company said the recall was not in any way safety related, but was part of its efforts to ensure that its customers are happy.

The repair, the company said, will take about 20 minutes per vehicle. No figure was put on the cost of the operation, but Ford did not challenge estimates of around $4m.

The recall, however, cannot help the image of the Escort-Lynx, which has enjoyed success in the U.S. since it was introduced last October. An almost identical version of the Escort was also introduced in Europe earlier this year.

Two safety-related recalls are also possible as a result of decisions by the National Highway Traffic Safety Administration.

The administration announced initial safety defect findings in some Toyota pick-up trucks and articulated buses made by MAN of West Germany.

The alleged bus defect concerns the rear step well of the vehicle, which is said to have caused injuries to 10 people as the doors open inward. Doors on most American buses open outward.

About 400 MAN buses are in service in 11 cities and MAN will have the opportunity to contest the findings.

The charge against MAN is made slightly more serious in that the agency alleges that the company's U.S. distributor, AM General, a subsidiary of American Motors, knew of the defect but failed to remedy it. The company may therefore be subject to additional penalties.

The Toyota complaint concerns 85,000 1979 Hi-Lux pick-up trucks. The agency says that vibration in the front suspension and steering system of the vehicle could cause loss of control. The agency said it is aware of 106 complaints and five accidents resulting from the defect.

RSV expects larger loss on Algerian contracts

BY CHARLES BATCHELOR IN AMSTERDAM

RIJN-SCHELDE-VEROLME (RSV), the Dutch shipbuilding and engineering group, expects the loss on a number of Turnkey projects in Algeria to exceed previous estimates. The Amsterdam stock exchange resumed trading in RSV's shares yesterday after suspending them on Wednesday when news of the problems was first revealed. The price fell 10 per cent to Fl 41.5.

RSV said it expects losses on the four energy generation projects to exceed the Fl 150m ($56m) of provisions that have already been made.

One result of the difficulties is that the group's operating company involved, Thamassen Holland, has been forced to suspend development work on a new gas generator, the TF-10.

RSV declined to say whether it would also be forced to sell its half-share in Thin Seam Miner Leasing Corporation, a company which is part of RSV's expanding coal mining equipment activities. The company intends to maintain its involvement in this field at present levels though it seems likely it will modify its involvement in the leasing aspect.

RSV described the new setbacks in Algeria as "serious and annoying" but said that other group divisions had improved their results in Europe and Brazil.

The order book in these areas has improved in quality and quantity. The company's overall liquidity position is also good.

Problems at Thomassen, which forms part of RSV's process engineering and energy division, overshadowed profits made elsewhere in the group in 1980 and led to a group net loss of Fl 28.7m.

Ramada Inns see $26m deficit for year

By Our Financial Staff

RAMADA INNS, the U.S.-based international operator and franchisor of hotels and motels, said it will report a loss of $26m, or $1 a share, for the year ended December 31 and is suspending its 3 cents a share common share quarterly dividend. Last year it reported a profit of $17.5m on revenues of $366m.

The company said the anticipated loss and dividend suspension result from efforts to reduce debt, improve shareholders' equity and "enhance profit potential for 1982 and beyond."

Among the actions it will take are an agreement in principle with its banks for $50m in additional credit tied to the prime rate. Money will be used to complete funding of its Atlantic City hotel and Casino project.

Advance at Hongkong Realty

BY OUR HONG KONG CORRESPONDENT

HONGKONG Realty and Trust Company, a property subsidiary of Wheelock Marden, the Hong Kong trading house, has shown a strong earnings uptrend with the announcement of a net profit of HK$ 230.02m (US$ 39m) for the six months to June 30.

Direct comparison with the year-earlier period is not possible, because the financial year-end has been changed to December 31, from March 31. Net profits for the nine months to last December 31, however, amounted to HK$ 105.98m.

There were in the five months in addition, extraordinary ... of HK$ ... bring the net attributable profits to HK$263.86m, compared with HK$ 376.3m

An interim dividend of 17.5 cents per A share and 3.5 cents per B share has been recommended, compared with 12.5 cents and 2.5 cents, respectively, for the preceding nine months.

Mr John Marden, the chairman, said the improved performance was attributable to the strength of the property market in Hong Kong and higher interest rates together with improved results from the Lane Crawford group, the department store operator.

Hongkong Realty holds 55 per cent of Lane Crawford, which has reported interim profits of HK$36.6m. Other of its major subsidiaries include Realty Development Corporation, which made profits of HK$ 91.6m and Harriman Holdings, also with properties interests, which has yet to report. The group's share of profits from associates increased to HK$ 201.68m, from HK$19.41m for the nine months beforehand.

The directors expect to declare a total dividend of not less than 37.5 cents per A share and 7.5 cents per B share, on capital increased by the recent one-for-10 scrip issue. This compares with respective total dividends of 40 cents and eight cents for the nine months to December last. A special capital bonus in cash is also to be considered.

DM 150m Eurobond for Austria's Kontrollbank

BY ALAN FRIEDMAN

ISSUES quickened in the international D-Mark bond sector yesterday with the launch of a DM 150m five-year issue for Oesterreichische Kontrollbank, Austria's export credit bank. The isuse i a private placement and carries a coupon of 11 per cent.

It has been priced at par by the lead-manager, Deutsche Bank, and is the third foreign bond in the D-Mark sector in justo ver a week; the previous two were for the World Bank and for National Westminster Bank.

The Kontrollbank issue was reportedly being snapped up by investors yesterday as D-Mark foreign bond prices gained ½ point. Some bankers believe there is increasing confidence about both the likely size of West German's current account deficit and about the potential future strength of the D-Mark against the U.S. dollar.

In the Eurodollar bond sector, prices were marked up in thin trading by around ½ point yesterday morning, but the day closed with an average rise of ¼ point. Europe was once again following Wall Street's lead, where on Wednesday average bond prcies rose more than a point.

The cause for this rally in New York related in part to a statement by Congressman Peter Michel, the ranking Republican in the House of Representatives. Mr Michel (and others), implied that Congress was fed up with high interest rates and might take action in the near future.

The $50m bond to 1989 from Niagara Mohawk Power was priced yesterday at 98½ to yield 17.36 per cent. The issue, which is managed by Salomon Brothers, Merrill Lynch and Credit Lyonnais and guaranteed by Credit Lyonnais, carries a 17 per cent coupon.

In the Swiss franc sector, prices edged up ½ point as the franc strengthened on the exchange markets. This followed renewed upward pressure on short-term interest rates. The Eurofranc six-month rate moved above 11 per cent, a rise of a full point in the past seven days.

Colombia seeks $50m credit

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

CARBONES DE COLOMBIA has awarded a mandate for a $50m, 10-year credit to Bank of Tokyo, Chemical Bank and Orion Royal Bank. The terms are a margin over Libor of ½ per cent for the first three years rising to ⅝ per cent thereafter.

This is slightly lower than other recent public sector Colombian loans which have carried a flat ⅝ per cent margin. Repayments begin after a grace period of six years.

Petroleos de Venezuela may tap capital markets

BY KIM FUAD IN CARACAS

PETROLEOS DE VENEZUELA (PDVSA), Latin America's biggest company, could join Pemex of Mexico and Petrobras of Brazil, the region's two other major state oil companies in seeking funds in international capital markets, according to Dr Ricardo Martinez, Venezuelan planning minister.

Dr Martinez suggested that PDVSA, which has funded capital spending from earnings since its creation in 1975, should supply more funds for non-oil development and seek capital for its own investment requirements through international borrowing.

He added that such a policy change was not included in Venezuela's $140bn sixth economic plan (1981-85), but should be considered in the future.

PDVSA receives currently 10 per cent of oil export income, which totalled $18.7bn last year, plus a small share of the profits after providing the central government with about three-quarters of its income. PDVSA has about $7bn of investment funds placed in foreign banks.

"PDVSA enjoys this unique self-financing system, while other state enterprises have to seek investment funds abroad." Dr Martinez said. As a result, Venezuela has run up a $17bn foreign debt.

"It is contradictory that the state oil industry, the most efficient, productive and sophisticated area of the Venezuelan public sector should get all its funding from ordinary income, while the rest of the public sector, including socially-oriented enterprises, must seek foreign loans," he added.

PDVSA officials have opposed international borrowing to cover investment spending—budgeted at almost $19bn between 1981-85. They feel that it would aggravate the country's foreign debt servicing requirements and could also jeopardise the state oil industry's independence of action.

Downturn at Walt Disney

BY OUR FINANCIAL STAFF

WALT DISNEY Productions, the U.S. entertainment group, said it will report a fall of about 10 per cent in net income for the year ending September 30 from $4.16 a share last year.

The lower results will reflect disappointing results for its domestic films, the company said. "Condorman" has failed to live up to expectations and most likely will be written down by $9.5m to its net realisable value.

However, Disney said its film "The Fox and the Hound" was doing outstanding box office business, achieving domestic rentals of $15m. It hopes that the film will surpass Disney's all-time fully-animated hit, "The Rescuers," in worldwide gross for an initial release.

"The Rescuers," released in 1977, earned $14m domestically and $44m on a worldwide basis on its initial release.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday September 14.

Closing prices on September 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amoco 13⅞ 88	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 16 86	185	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 15⅞ 91	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNA 15½ 86	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNE 15⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp Int. Fin. 15 86	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 15⅞ 84	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Con. Illinois 14⅞ 84	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 14⅞ 93	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 13⅞ 89	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eldorado 13⅞ 86	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 13 88	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Bk. D. 15⅞ 84 (J)	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Exp. Credit 10⅞ 83	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 16 87	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Cr. O/S Fin. 16 84	150	99⅞	99⅜	+0⅛	−0⅛	16.31
Ford Cr. O/S Fin. 16 85	150	97	97½	+0⅛	+0⅛	16.57
Gaz de France 13½ 86	80	88⅞	89⅜	+0⅛	−0⅛	17.17
GMAC O/S Fin. 12⅞ 88	100	84⅞	85⅜	+0⅛	−0⅞	16.78
GMAC O/S Fin. 14⅛ 87	100	91⅛	92⅛	0	−0½	16.97
Genstar 14⅛ 91	50	92⅛	92⅞	+0½	−0⅛	16.28
Hiram Walker 16 86	50	99⅞	100⅛	+0⅛	−0⅛	15.93
IBM Wld. Trade 14⅛ 84	100	99⅛	99⅞	+0¼	−0½	14.84
IBM Wld. Trade 14⅛ 85	60	98⅛	98⅞	+0⅛	−0⅛	15.25
Nat. Bk. Canada 15⅛ 84	40	96⅛	97⅛	+0⅛	−0⅛	16.65
Newfoundland 13½ 90	60	84	84½	0	−2⅛	17.11
Nova Scotia 15 91	75	91⅛	91⅞	+0⅛	[illegible]	16.79
Ontario Hydro 13½ 91	100	85⅛	86	−0⅛	−0⅞	16.63
Pacific Gas Elec. 16 88	75	100⅛	100⅝	+0⅛	−0½	15.86
PSNH Int. Fin. 17 86	30	98⅛	98⅝	+0⅛	−0⅛	17.49
Royal Bk Canada 14 86	100	91⅛	92⅛	+0⅛	−0⅛	16.53
SNCF 13 91	75	82⅞	83⅛	+0⅛	−1⅛	16.61
Shell Canada 15⅛ 91	100	97⅛	97⅞	+0⅛	−0⅞	16.27
Sth. California 14 87	50	93⅛	94⅛	+0⅛	−0⅛	15.62
Sth. California 14⅛ 88	50	93⅞	94⅛	+0⅛	−0⅛	16.18
Sven. Handlsbk. 13⅛ 88	45	87	87½	+0⅛	−1⅛	17.05
Swed. Ex. Credit 13 86	75	86⅞	87⅛	+0⅛	−0⅛	17.26
Swed. Ex. Cred. 15⅛ 86	50	94⅛	95	+0⅛	−1⅛	17.29
Toronto-Dom. Bk. 14 84	50	93⅛	93⅞	+0⅛	−0⅞	17.11
Tribune O/S Fin. 14 86	50	90⅞	91⅛	−0⅛	−0⅛	16.59
Walt Disney 15⅛ 86	100	96⅛	96⅝	−0⅛	−0⅞	16.87
Wells Fargo Int. 15½ 84	50	97½	98	+0⅛	−0⅛	16.88
World Bank 14⅛ 86	500	91⅛	92	+0⅛	−0⅞	16.56
World Bank 16 86	210	97⅛	97⅞	+0⅛	−0⅛	16.68
World Bank 16 88	80	97⅛	97⅞	+0⅛	−0⅛	[illegible]

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bank 10 91	100	94⅛	95⅛	−0⅛	−0⅛	10.84
Austria Rep. of 8⅛ 92	150	85	85⅛	+0⅛	+0⅛	10.55
CECA 7⅞ 92	150	†84⅛	84⅞	−0⅛	+0⅛	10.20
CECA 10 91	120	†97⅛	98	+0⅛	+0⅛	10.38
CII-Honeywell 8⅛ 90	125	†83⅛	84	+0⅛	−1⅛	11.39
Council of Europe 10 91	100	99⅛	97⅛	+0⅛	0	10.53
EIB 8⅛ 90	200	87⅛	87⅞	+0⅛	+0⅛	10.66
EIB 10⅛ 91	200	†99	99⅛	+1	+0⅛	10.54
ESCOM 9⅛ 87	100	89⅛	90⅛	+0⅛	+0⅛	11.63
Finland, Rep. of 10 88	100	96⅛	97⅛	0	−0⅛	10.59
Iberduero SA 9 90	100	†88⅛	89⅛	−0½	−1⅛	11.02
Ind. Bk. Finland 8⅛ 90	50	†87⅛	88⅛	0	−0⅛	10.63
Int.-Am. Dv. Bk. 10 91	100	†95	95⅛	+0⅛	−0⅛	10.78
Japan Air Lines 8⅛ 87	100	90⅛	91	+0½	+0⅛	10.73
Japan Dev. Bk. 7⅛ 87	100	87⅛	88	+0⅛	−0⅛	10.52
Kobe, City of 8 90	100	85⅛	86	+0⅛	0	10.68
Midland Int. Fin. 8½ 90	180	87⅛	87⅞	+0⅛	−0⅛	10.74
Nuclebras 9⅛ 88	100	†85⅛	86½	+0⅛	−0⅛	12.87
OKB 8⅛ 92	150	†83⅛	84	+1⅛	+2⅛	10.89
Oslo, City of 9⅛ 90	80	89⅛	90⅛	+0⅛	+1	10.65
Renault Acc. 10⅛ 88	150	97⅛	97⅞	+0⅛	+0½	11.43
Venezuela, R. of 8⅛ 90	150	92⅛	93⅛	+0⅛	−0⅛	10.99
World Bank 8 90	700	83⅛	84½	+0⅛	−0⅛	10.87

Average price changes... On day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Aeroport Paris 6½ 91	80	89	90	−0⅛	−2⅛	8.10
BFCE 6½ 91	100	†89	90	+1	−1⅛	8.13
Bayer Int. Fin. 5⅛ 92	100	81⅛	81½	−0⅛	−1⅛	7.94
Rheinelectric Fin. 7⅛ 91	100	95⅛	95⅞	−0⅛	−1⅛	8.38
Bergen, City of 6⅛ 91	40	†93½	94	+0⅛	−2⅛	7.89
CECA 6⅛ 91	80	90	90⅛	0	−4⅛	8.27
Danmark 5⅛ 90	80	79	79⅛	0	−5⅞	9.79
Dome Petroleum 5⅛ 91	100	84½	84⅛	−0⅛	−0⅛	8.14
Dome Petroleum 7⅛ 90	100	97½	97⅛	−0⅛	−1⅛	7.92
Elf de France 5⅛ 90	100	†80	80⅛	+0⅛	−0⅛	8.46
Eurofima 5⅛ 92	80	86	86⅛	+0⅛	0	6.36
Finland, Rep. of 5⅛ 90	80	77½	77⅛	−0⅛	−5½	9.44
Franc. Petroles 6½ 91	80	90⅛	91	+2⅛	+3⅛	7.88
Genstar 7 91	100	95⅛	95½	[illegible]	−2⅛	7.69
Int.-Amer. Dv. Bk. 7 91	100	92⅛	93	+3⅛	−0⅛	8.13
Japan Dev. Bank 5⅛ 91	100	87	87⅛	0	−5⅛	7.78
Mt. Blanc Tunnel 5½ 90	80	†80	80½	−2½	−2⅞	8.77
Newag 5⅛ 90	20	*89⅛	89⅛	+1⅛	+1	7.39
OKB 7 93	100	93½	93⅛	−0⅛	−3⅛	7.85
Oslo City of 5⅛ 90	80	83½	83⅛	+0½	−2⅞	[illegible]
Philips Lamps 5½ 92	100	82	82½	+1⅛	+1	7.72
Swed. Ex. Credit 7⅛ 91	75	92	92½	0	−2	8.45
Trade Dev. Fin. 6⅛ 90	60	†86	86⅛	+0⅛	−1⅛	8.25
Voest-Alpine 5⅛ 90	80	80⅛	80⅛	+0⅛	−5	9.04
World Bank 6 91	100	84⅛	84⅛	+1⅛	−2⅛	8.42
World Bank 7 90	100	97	90⅛	+0⅛	+0⅛	7.46

Average price changes... On day +0⅛ on week −1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bk. 8⅛ 91	15	85⅛	87⅛	0	0	8.87
Australia 8½ 88	20	86	86	+8⅛	+4⅛	8.51
EIB 7⅛ 89	12	83	84⅛	−0⅛	[illegible]	9.90
Finland 6.8 88	10	84⅛	85⅛	0	0	9.50
Finland, Rep. of 8⅛ 87	15	95⅛	96⅛	0	0	9.20
New Zealand 8⅛ 87	15	97⅛	98⅛	+0⅛	+0⅛	8.80

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 10⅛ 88 C$	60	†82½	83½	0		15.57
CIBC 13⅛ 85 C$	50	†90	91	0	−0⅛	17.10
CIBC 11⅛ 85 C$	60	†84⅛	85⅛	0	0	17.09
Federal Dev. 11⅛ 90 C$	60	†75	76	0	−0⅛	17.02
Fst. Can. Inv. 10 84 C$	50	†82	83	0	−0⅛	18.60
R. Bk. Canada 10 86 C$	40	†81½	83½	0	−0½	15.48
Tordom Con. 13½ 85 C$	30	92	93	0	−0⅛	16.28
M. Bk. Denmk. 9 91 EUA	25	84⅛	85⅛	0	+1⅛	11.53
SOFTE 8½ 89 EUA	40	[illegible]	[illegible]	[illegible]	[illegible]	12.48
Algemene Bk. 10½ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 12 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV 10 87 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Nedrlnd. 10 88 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Midd. Bk. 10 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pierson 10⅛ 86 Fl	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank 12 86 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Air France 14⅛ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. America 14⅛ 86 FFr	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charb'nages 13⅞ 85 FFr	400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 14⅛ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute 14⅛ 86 FFr	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. 14⅛ 86 FFr	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. E. Cr. 14⅛ 86 FFr	250	86⅛	87⅛	+0⅛	+0⅛	19.07
U. Max. Sts. 14 85 FFr	150	87⅛	88⅛	0	+0⅛	18.71
Acona 14 85 £	20	92	93	+0⅛	−0⅛	16.51
Beneficial 14⅛ 90 £	20	82⅛	83⅛	−0⅛	−0⅛	18.07
BNP 13⅛ 91 £	15	85	85⅛	−0⅛	−0⅛	[illegible]
CECA 13½ 88 £	20	88	88⅛	0	−0⅛	[illegible]
Citicorp O/S 13½ 90 £	50	88⅞	89⅛	+0⅛	−0⅛	[illegible]
Fin. Ex. Cred. 13⅛ 86 £	15	92⅛	93	0	−0⅛	[illegible]
Gen. Elec. Co. 12½ 89 £	50	85	85⅛	−0⅛	−0⅛	[illegible]
Hiram Walker 14⅛ 86 £	25	93⅛	93⅛	0	0	16.28
Privatbanken 14½ 88 £	12	[illegible]	[illegible]	−0⅛	−0⅛	[illegible]
J. Rothschild 14⅛ 90 £	12	93	93⅛	0	0	[illegible]
Royal Trustco 14 86 £	12	93	93⅛	0	0	[illegible]
Swed. Ex. Cr. 13⅛ 86 £	20	92⅛	93⅛	0	0	16.04
Akzo 9⅛ 87 LuxFr	500	88⅛	89⅛	−0⅛	−0⅛	[illegible]
Euratom 9⅛ 88 LuxFr	500	86⅛	87⅛	+0⅛	−0⅛	[illegible]
Eurofima 10½ 87 LuxFr	500	88⅛	89⅛	+0⅛	0	[illegible]
EIB 9⅛ 88 LuxFr	600	85⅛	86⅛	+0⅛	−0⅛	[illegible]
Volvo 9⅛ 87 LuxFr	500	83⅛	84⅛	−1⅛	−1⅛	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅛ 90	0⅛	98⅛	98	18/12	18⅛	[illegible]
BBL Int. 5 86	0⅛	99⅛	99⅛	20/11	18.31	[illegible]
BNP 5½ 88	‡0⅛	98⅛	99⅛	29/10	18.81	[illegible]
Christiania Bk. 5⅛ 91	‡0⅛	98⅞	99	5/11	19.19	[illegible]
Citicorp O/S Fin. 84	‡0	99⅛	99⅛	30/9	19.19	[illegible]
C. Itoh 5⅛ 87	0⅛	99⅛	99⅞	18/9	15.44	[illegible]
Co-operative Bk. 6 86	0⅛	99⅛	100	15/11	19.56	[illegible]
Den Norske Credit 6 90	‡0⅛	98	98⅛	5/11	19.19	[illegible]
Genfinance 5⅛ 87	0⅛	99⅛	99⅛	30/10	16.94	[illegible]
Genfinance 5⅛ 92	0⅛	99⅛	99⅛	30/12	18.31	[illegible]
Giro und Bank 5⅛ 91	‡0⅛	99	99⅛	23/9	19.06	[illegible]
GZB 5⅛ 92	‡0⅛	99⅛	99⅛	5/12	17⅛	[illegible]
Ind. Bank Japan 5⅛ 88	0⅛	99⅛	99⅞	9/10	18.44	[illegible]
Lloyds Eurofin 8 90 £	0⅛	97	97⅛	5/11	13⅛	[illegible]
Lloyds Eurofin 5⅛ 92	0⅛	98⅛	99	4/12	17.44	[illegible]
LTCB Japan 5⅛ 85	0⅛	99⅛	99⅛	13/12	17⅛	[illegible]
LTCB Japan 5⅛ 89	0⅛	99⅛	99⅛	16/1	18.32	[illegible]
Man. Hanov. O/S 5⅛ 94	‡0⅛	99⅛	100	20/11	19⅛	[illegible]
Merrill Lynch O/S 87	‡0⅛	100⅛	100⅛	9/11	19.06	[illegible]
Midland Int. Fin. 5⅛ 92	0⅛	99⅛	99⅛	5/12	17⅛	[illegible]
Midland Int. Fin. 9 91	0⅛	99⅛	99⅛	20/10	16.81	[illegible]
Nacional Fin. 5⅛ 88	0⅛	99⅛	99⅛	25/1	19⅛	[illegible]
Nacional Fin. 5⅛ 88	0⅛	97⅛	97⅛	25/9	14⅛	15.78
Nat. Bk. Canada 5⅛ 88	0⅛	99	99⅛	24/9	14⅛	[illegible]
Nat. West. 5⅛ 94	§0⅛	99⅛	99	14/10	16.19	[illegible]
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅛	15/1	16⅛	[illegible]
Nat. West. Fin. 5⅛ 92	§0⅛	99⅛	99⅛	23/10	16.81	17.05
Pemex 8 91	0⅛	97⅛	97⅛	8/10	15.31	[illegible]
Societe Generale 5⅛ 91	0⅛	97½	98	22/1	19⅛	19.05
Sparebanken 6 87	0⅛	98	98⅛	19/12	16.81	17.11
Svenska Handlsbk. 5 87	0⅛	99⅛	99⅛	15/1	18⅛	18.22

Average price changes.. On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	87½	87⅛	+0⅛	−2.60
Bow Valley Inv. 8 95	4/81	23.12	97⅛	98⅛	−1⅛	23.74
Canon 5⅛ 95	1/81	829	158½	159	−0⅛	−1.51
Daiwa Secs 5⅛ 96	12/81	539	87	88	−0⅛	[illegible]
Fujitsu 5⅛ 96	7/81	732	95⅛	96⅛	−2	−0.37
Furukawa Elec. 5⅛ 96	7/81	300	103⅛	104½	+0⅛	−2.68
Hanson O/S Fin. 9⅛ 96	8/81	2.74	86⅛	88	−1⅛	3.56
Hitachi Cred. Cpn. 5 96	7/81	1956	81⅛	82⅛	−0⅛	−2.90
Ina Overseas 8⅛ 2000	4/81	42	93⅛	94⅛	−1⅛	7.41
Inchcape 8 95	3/81	[illegible]	69	65	−1⅛	8.77
Kawasaki 5⅛ 96	9/81	229	99⅛	100⅛	+2⅛	−17.65
Marion Int. Fin. 9 95	12/80	16.5	70⅛	72⅛	−0⅛	48.00
Marui 6 96	7/81	891	84	85	−0⅛	7.91
Matsushita El. 7½ 95	11/80	590	80⅛	82	−1⅛	−5.62
Murata 5⅛ 96 £	7/81	2190	87	88	−3⅛	−0.62
NKK 5⅛ 96	7/81	198	115⅛	117⅛	+0⅛	29.67
Nippon Chemi-C. 5 91	10/81	919	78⅛	79⅛	−4	−5.82
Ricoh 6⅛ 95	8/80	604	130⅛	132	−0⅛	−2.32
Sumitomo M. Ind. 7 95	2/80	[illegible]	144⅛	146	+0⅛	[illegible]
Swiss Bk. Cpn. 6⅛ 90	9/80	200	87⅛	89⅛	−0⅛	33.65
Taylor Woodrow 8⅛ 90	1/80	4.94	87⅛	88⅛	−0⅛	4.94
Transco Int. 9⅛ 95	2/81	68	75	76½	−0⅛	[illegible]
Tricoro 8⅛ 95	12/80	21.25	78⅛	80	−1⅛	30.35
Union Bk. Switz. 5 96	7/80	70.79	87⅛	89⅛	−0⅛	4.80
Sharp Con. 6⅛ 89 DM	9/80	595	171⅛	172⅛	−2⅛	−3.59
Uny Co. 6⅛ 85 DM	11/79	879.3	102⅛	103⅛	−0⅛	−4.87

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Earnings setback for Total group

BY DAVID WHITE IN PARIS

THE PARENT company of France's Total oil group, Compagnie Francaise des Petroles, yesterday announced a 20 per cent drop in net profits for the first half of the year and warned that with the current pricing policy for oil products results in the second half would be much worse.

It said that for the group as a whole net results for the first half, after deduction of paper profits resulting from revaluation of stocks, would be in the red. This was the result of "unprecedented" losses at refining and marketing subsidiaries in France and other European countries where prices were inadequate.

Figures for the 40 per cent state-controlled parent company, which concern its function as a holding company for the group's subsidiaries and direct crude oil sales, had no bearing on the real situation of the group at present or the probable outcome for the year.

The first-half net profit, which fell to FFr 453m ($78m) from FFr 568m in the same period last year, included the receipt of FFr 842m in dividends, mainly from overseas oil production units. This was double the previous year's figure.

Last year the parent company showed a small increase in net profit to FFr 893m but group earnings, minus the inventory effect, shrank to FFr 693m, less than a third of the equivalent 1979 figure.

The company puts the main blame for the drop on the French Government's failure to pass crude oil price increases rapidly enough or sufficiently to price-controlled products such as petrol.

Parent company turnover rose to FFr 22.3bn in the first six months, compared with FFr 20.2bn in the first half of last year. This was mainly a result of the rise in the value of the dollar against the French franc.

The volume of crude oil sold fell in line with lower demand to 23.3m tonnes from 28.2m in the same 1980 period. Group results are due to be announced next month.

● PECAM International, which distributes and packages drapery and hairdressing products, has received authorisation from the French authorities to give 20 per cent of company shares to personnel.

The move follows a 1972 decision by owner M Henri Schick to give 29 per cent of the company's stock to Top management. Pecam is capitalised at FFr 2.4m and has annual sales of FFr 105m.

The new shareholders, the company's 141 employees, will reserve a dividend accruing from the financial year ending October. M Schick said his decision was designed to promote management - personnel co-operation.

Rabobank shows first-half growth

By Our Financial Staff

RABOBANK NEDERLAND, the Dutch agricultural co-operative bank, saw net earnings grow by 0.6 per cent to Fl 173m ($64m) in the first half of this year.

The bank's balance sheet total rose 10 per cent to Fl 107.5bn, the same rate of growth as a year earlier, but foreign business grew as a percentage of the total to 12 per cent compared with 10 per cent in the 1980 first half.

Interest margins were under pressure in the first half because Rabobank maintained lower than market rates for a considerable amount of its credits. Income from interest and commissions rose 7 per cent compared with a 13 per cent growth in the 1980 first half, while operating costs rose 11 per cent, a slowdown from the 12 per cent advance reported in the 1980 period.

Rabobank said that credits to the private sector grew only 2 per cent compared with 5 per cent in the 1980 first half, reflecting a slowdown in the tempo of agricultural and non-agricultural investments and the slump in the Dutch housing market. A recovery of all sectors is contingent on a decline in the Netherlands' very high interest rates, it added.

Savings deposits grew more than 9 per cent to Fl 50bn in the first six months of this year

Nixdorf sees sharp rise in sales

By Our Financial Staff

NIXDORF, the West German maker of office computers, expects 1981 sales to rise between 20 per cent and 25 per cent from the DM 1.56bn ($642m) achieved this year.

Foreign and domestic demand has increased sharply, Nixdorf said, explaining that sales during the first seven months of 1981 had risen by 25 per cent.

Order backlog at the end of August was up 23 per cent to DM 1.6bn from the year-earlier figure of DM 1.3bn. Nixdorf is introducing additional shifts to boost production. In the past 12 months, Nixdorf has expanded its labour force by nearly 2,000 to 14,700 by the end of August.

● The supervisory board of Volkswagen met yesterday to discuss the future of a Frankfurt factory owned by its Triumph-Adler office equipment unit. Triumph-Adler is expecting to lose around DM 10m this year and is considering closing the Frankfurt plant with the loss of 3,000 jobs, about one-third of the company's total workforce.

The problems in Frankfurt arise from Triumph-Adler's decision to increase production of electronic office and data equipment at the expense of mechanical equipment.

Efforts to save the plant, or at least part of it, have been going on for the past two weeks. About 8,000 trade unionists recently demonstrated in Frankfurt against the proposed closure, and Herr Armin Clauss, Social Minister for the state of Hessen, met company officials in an effort to find an alternative solution.

Pompes Guinard in Japan deal

BY OUR PARIS STAFF

IN A rare example of a Western company gaining a foothold in Japan through a shareholding in a Japanese company, the leading French pump manufacturer, Pompes Guinard, has reached agreement to acquire 30 per cent of Marushichi Iron Works.

The agreement, signed after two years of negotiations, gives the Japanese group access to the full range of Pompes Guinard's technology.

Pompes Guinard, which belongs to the Leroy-Somer group, is one of the top international companies in pumps for housing, farm, industrial and energy uses. It had sales last year of FFr 765m ($132m).

The shareholding agreement reached with the Japanese includes a proportionally smaller reciprocal stake by Marushichi in Pompes Guinard. Since Marushichi's 1980 turnover was less than one-tenth of Pompes Guinard's, this is not expected to exceed 3 per cent.

The French company, which in 1978 took control of ASM Industries, a small U.S. company specialising in agricultural pumps, sought a similar deal in Japan rather than undertake a conventional licensing agreement.

Marushichi, a family concern, is to have a share in the Asian and world markets for products using the French partner's know-how. The Japanese trading company, Kanematsu Gosho, has been brought in as a partner in the commercial side of the agreement.

Pompes Guinard described the move as giving it "a new strategic base" not only for Japan but for other markets where Japanese financial, commercial and engineering muscle was making itself felt.

It said the agreement was part of a strategy of strengthening its position in the industrialised world in order to counterbalance the company's development in the Middle East and other Third World countries.

Marushichi is the eighth largest Japanese company in its field, specialising in equipment for the chemical and steel industries. A management committee, with minority French participation, is being set up to supervise the operation of the agreement.

U.S. link for Kymi Kymmene

BY LANCE KEYWORTH IN HELSINKI

KYMI KYMMENE, the Finnish forest products company, and Great Northern Nekoosa of the U.S. have signed a letter of intent to study the construction of a bleached kraft pulp mill in the U.S. with a production capacity of 900 tonnes a day. The cost of the project is expected to exceed $400m.

Nekoosa will take 80 per cent and Kymi 20 per cent of the equity of the venture company which is to be known as Leaf River Corporation. Most of its production will be sold as market pulp.

Kymi is one of the largest industrial companies in Finland and the leading producer of fine papers in Europe. Turnover of the parent company in 1980 was FM 2.08bn ($462m). In the same year it produced 532m tonnes of paper and 298m tonnes of pulp.

Kymi signed an option agreement in 1971 to purchase a 1,500 acre industrial estate on the Leaf River in Mississippi. In 1975, it decided to build a sawmill on the site. In 1978, the production capacity of Kymi's Leaf River Forest Products sawmill was expanded to 240,000 cubic metres a year.

Studies indicate that the future pulp mill would have to have an annual production capacity of at least 300,000 tonnes in order to be profitable.

● Superfos, the Danish chemical group, expects lower profits for 1981 following a static first-half result.

Operating profits for the six months were roughly in line with those of 1980. But the company said that its jointly owned operations in West Germany would again incur a heavy loss.

Fertiliser production and sales continue to rise, and operating profit in this sector for 1981 is expected to be satisfactory. Revenue from sales of grain and feedstuffs will again be affected by substantial bad debts. Operating profit here will be unsatisfactory.

Industrial operations reported lower earnings in first half 1981, mostly due to falling sales following cutbacks in building activity.

Group sales for the half year increased by around 25 per cent For 1980 sales totalled DKr 4.3bn ($565m) and net profits DKr 32m.

Lucas Bols makes good start to 1981

By Our Financial Staff

LUCAS BOLS, the Dutch distiller, saw profit after tax rise 34 per cent to Fl 23.1m ($8.5m) in the first half of 1981 from Fl 17.2m.

Based on developments in the first half, the distiller said it would probably close the year with a higher profit than in 1980, when it earned Fl 43m. Half-year sales rose 10 per cent, while trading profit increased by 40 per cent to Fl 34.6m.

Overseas subsidiaries made the biggest contribution to the improved results. In the Netherlands, higher excise taxes depressed sales.

Laenderbank optimistic as associates lift turnover

BY PAUL LENDVAI IN VIENNA

OESTERREICHISCHE Laenderbank, Austria's third largest bank which was badly hit by the insolvencies of two major industrial clients, expressed "cautious optimism" at a press conference yesterday.

Turnover of eight major companies in construction, chemicals and machinery in which the bank has at least a 25 per cent shareholding, increased during the first half of this year by 10.3 per cent to Sch 6.8bn ($398m). Incoming orders during the period were up by 36 per cent and their combined order books at the end of June were 23 per cent higher.

The board is not considering the sale of industrial holdings as a means of strengthening bank funds, said Dr Franz Vranitzky, the director-general. He added that the bank saw recovery through streamlined operations, improvements in control systems and marketing.

Turning to the bankrupt Eumig camera group, which had been heavily financed by the bank, Dr Vranitzky said that efforts were under way to find interested partners for saving a certain number of jobs and continuing production.

The half-yearly balance sheet of Laenderbank showed a rise of 4.6 per cent to Sch 123bn. Dr Vranitzky emphasised that despite the bankruptcies at Eumig and the engineering group, OEKG, the bank did not suffer a major setback in its basic banking business.

Record profit at Intershop

BY JOHN WICKS IN ZURICH

AN INCREASE in dividend from 7 to 8 per cent is planned by Intershop Holding, the property development group, following a rise in net profit from SwFr 4.25m to a record SwFr 5.57m ($2.64m) for the year ended March, 1981.

Total income went up by 17.5 per cent to SwFr 13.06m Intershop, which is active particularly in the development of shopping centres, has major interests in the U.S., West Germany, France and Switzerland.

For the current year the group expects further satisfactory profits, unless the franc strengthens markedly.

Last year Intershop again concentrated its efforts on U.S. projects. Among new acquisitions, it took over a majority interest in HFA Management Company, a Dallas group which manages portfolio holdings and properties. Annual gross income from U.S. properties managed by Intershop and HFA now exceeds $30m.

This year profits are seen as rising in U.S., Germany and Austria but a "certain decline" is expected in Switzerland and France.

French bank nationalisation list

BY OUR PARIS STAFF

THE UNOFFICIAL list of the 36 banks due to be nationalised by the French Government is as follows:

Banque de Bretagne, Banke Corporative du Batiment et des Travaux Publics, Banque de la Henin, Banque de l'Indochine et de Suez, Banque Industrielle et Mobiliere Privee, Banque de Paris et des Pays Bas, Banque Parisienne de Credit au Commerce et a L'Industrie, Banque Regionale de L'ain, Banque Regionale de L'ouest, Banque de L'union Europeene, Banque Chaix, Credit Chimeque and Credit Commercial de France.

Credit Industriel d'Alsace et de Lorraine, Credit Industriel et Commercial, Credit Industriel de Normandie, Credit Industriel de l'Ouest, Credit du Nord, Banque Hervet, Banque Laydernier, Monod—Francaise de Banque, Banque Odier-Bungener-Courvoisier, Banque Rothschild and Banque Scalbert-Dupont.

Societe Bordelaise de Credit Industriel et Commercial, Societe Centrale de Banque, Societe Generale Alsacienne de Banque "Sogenal," Societe Lyonnaise de Depots et de Credit Industriel, Societe Marseillaise de Credit, Societe Nanceenne de Credit Industriel et Varin-Bernier, Societe Sequanaise de Banque, Sofinco-La Henin, Banque Tarneaud, Banque Vernes et Commerciale de Paris, Union des Banques a Paris and Banque Worms.

MALAYSIA FAVOURS PLANTATIONS GIANT

Sime Darby Guthrie merger mooted

BY WONG SULONG IN KUALA LUMPUR

TENGKU RAZALEIGH, the Malaysian Finance Minister, said yesterday that it would be a "logical step" for Sime Darby, the diversified Malaysian plantations group, and Guthrie Corporation, the UK-based group, in which Malaysian Government interests secured a controlling interest early this week, to merge and form a giant plantations group.

In the first comments by a Malaysian Government minister since its investment arm, Permodalan Nasional, increased its stake in Guthrie to 50.4 per cent in a "dawn raid" on Monday. Tengku Razaleigh said the merger, which would create a group with close to 400,000 acres of plantations, would be in line with government objectives, while introducing greater efficiency and economies of scale. Permodalan is the investment arm of the Bumiputra Investment Foundation, of which Tengku Razaleigh is deputy chairman.

One of the reasons why Sime bid for Guthrie two years ago, which was unsuccessful, was that it felt that the best size, in terms of economies of scale, efficiency and utilisation of expertise, was a plantation group with around half a million acres.

Asked to comment on the aspect of nationalisation involved in the Guthrie acquisition, Tengku Razaleigh, who is one of the architects of Malaysian moves to take over foreign companies under the country's New Economic Policy, said it could not be denied that the government was behind Permodalan, but added that Permodalan had complied with the London takeover code, and no shareholder was forced to sell.

With control of Guthrie, Permodalan has become Malaysia's most powerful corporate vehicle. It also has interests of some 25 per cent in Sime Darby, and has substantial stakes in more than 20 other companies, including plantation groups like Harrisons Malaysian Estates and Highlands and Lowlands.

It also holds 56.6 per cent of the enlarged Malaysia Mining Corporation through the merger of two tin mining groups.

The Guthrie takeover throws into relief the scope of Malaysia's New Economic Policy.

The policy states that by 1990, the Government wants to see a 30: 40: 30 mix in the Malaysian corporate sector — 30 per cent for the Bumiputras, or ethnic Malays, 40 per cent for non-Malays and 30 per cent for foreigners.

In their efforts to conform many foreign companies, including Guthrie, had tried to fulfil the first part of the policy, by offering 30 per cent of their equity to Bumiputras.

Their argument was that the Malaysian Government would prefer the foreigners to hold the remaining 70 per cent rather than allow the non-Malay Chinese to get the other 40 per cent, since they were already powerful economically.

However, it is apparent that the Malaysian Government is determined to reduce foreign ownership to 30 per cent, and feels that since the Chinese have already reached their overall quota in the corporate sector, the reduction in foreign ownership should be taken up by Malays, whose stake should not be limited to 30 per cent.

Only in special circumstances can foreign investors hold more than 50 per cent in Malaysian ventures, and these are confined to the industrial sector, particularly for export-orientated projects.

Downturn at Straits Trading

By Our Financial Staff

STRAITS TRADING COMPANY has reported a 23 per cent fall in group after-tax profit to S$19.44m (US$9m) for the half-year to June, on turnover down by 22 per cent to $S464m.

Part of the Oversea-Chinese Banking Corporation's stable Straits attributed the drop to lower tin prices, higher operating and maintenance costs and a sharp reduction in sales of by-products.

The company, which has interests in tin mining and smelting, rubber estates, and property, said investment income fell by 30 per cent to S$13.1m mainly because a mining interest had deferred dividend payments.

Second-half earnings are expeced to be in line with those of the first, thus pushing full year profits to below those of the previous year.

The interim dividend is maintained at 8 cents a share. For all 1980 a total of 30 cents was paid. After tax profits for the year rose by 26 per cent to S$47.5m.

● The Private Investment Company for Asia (PICA) has opened a discount house in Hong Kong to handle short-term financing for small- to medium-sized businesses in the colony.

PICA is a private company that provides financial assistance to establish businesses in Asia. The Singapore-based concern is owned by a group of international banks and non-government corporations.

Advance for Hume Far East

BY GEORGIE LEE IN SINGAPORE

THE MAJOR building materials producer, Hume Industries (Far East), which is currently being taken over by the widely diversified group, Hong Leong Holdings, registered a 21 per cent gain in group pre-tax profit to S$34.1m (US$15.8m) in the year to June.

Sales rose by 17 per cent to S$237.6m and trading profit increased by 23 per cent to S$29.9m.

Except for the new 60 per cent-owned subsidiary Hume Balkan Private, and Hume Plastics Malaysian, all companies in the group reported higher earnings.

The major Malaysian offshoot, Hume Industries (Malaysia), registered a sharp rise of 76 per cent in pre-tax profit to 27.3m ringgits.

The group incurred an extraordinary deficit of S$1.4m largely from currency exchange losses

Hume (FE) has proposed a final gross dividend of 12.5 per cent which makes a total of 20 per cent for the year compared with 17.5 per cent previously.

On the current year outlook, Hume said some major expansion of activities in Malaysia had started, capital expenditure would be high, and development would affect profits. However, order books remain very healthy and the outlook for more orders was promising.

Hong Leong Holdings has already secured the necessary statutory and regulatory clearance for its takeover offer for Hume Industries (Far East).

Hume Limited, the Australian holding company of Hume (FE), has already accepted Hong Leong's general cash offer of S$6.10 per share in respect of its 62.1 per cent holding and the general cash offer has now been declared unconditional.

Sumitomo steelmaker to expand

TOKYO — Sumitomo Metal Industries plans a major boost in equipment investment over the next two years in a bid to put greater emphasis on technology and facilities for sophisticated steel products.

Provisional spending plans call for an annual input of Y150bn to Y160bn ($640m to $685m) in each of the 1982 and 1983 financial years, some 17 per cent to 18 per cent higher than for the current year to next March.

The company said that much of the expenditure will go to the development of technology and the construction of facilities for new quality products, such as highly anti-corrosive, high-tensile pipe and plate.

Japan's third largest steel mill at present earns almost 90 per cent of its profit from piping, particularly seamless pipes used in oil wells. It annually exports 1m tons of oil well pipes. But Sumitomo reckons that the booming seamless pipe business may prove short-lived, lasting two more years at best.

They believe that the world's seamless pipe output capacity will increase by 50 per cent in two or three years, when facilities being built in Japan and the U.S. are completed and they fear this may create oversupply.

Sumitomo said Japanese steelmakers may eventually be forced to phase out their traditional business lines, such as hot rolled coil and plate, where they will face a growing competition from their rivals in South Korea and other industrialising countries.

Kyodo.

Dubai cement company plans to double capacity

BY JAMES DORSEY IN KUWAIT

DUBAI'S National Cement Company plans to double its installed capacity to 1m tonnes annually, at a cost of $70m. The plan involves the conversion of cement manufacturing from the present wet process to a dry process technology.

The company expects the transition to cut its energy cost by 35 per cent and to create a considerable surplus for export. The board of the National Cement Company hopes to determine the timetable for the expansion once Development Consultants International, a subsidiary of Development Consultants, of Calcutta, has completed a feasibility study.

The United Arab Emirates has now a cement manufacturing capacity of 2.7m tonnes, of which 2.5m tonnes are consumed domestically. By the end of this year the Gulf Cement Company, in Ras al Khaimah, is expected to have completed new plant with a capacity of 1m tonnes. Later this year a cement complex at Fujairah with a capacity of 500,000 tonnes will go on stream. Work has also begun on a 500,000 tonnes cement plant in Ajman.

UAE officials hope that by 1984 production will have risen above 5m tonnes.

Technology costs are higher in the UAE than in Europe, because of the expense in the transporting of machinery to the UAE. The UAE has, however, deposits of limestone and reserves of gypsum and silica. National Cement uses a proportion including 76 per cent limestone and 14 per cent silica.

BASE LENDING RATES

A.B.N. Bank	12 %	Grindlays Bank	†12 %
Allied Irish Bank	12 %	■ Guinness Mahon	12 %
American Express Bk.	12 %	■ Hambros Bank	12 %
Amro Bank	12 %	Heritable & Gen. Trust	12 %
Henry Ansbacher	12 %	■ Hill Samuel	§12 %
AP Bank Ltd.	12 %	C. Hoare & Co.	†12 %
■ Arbuthnot Latham	12 %	Hongkong & Shanghai	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12½%
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Slavenburg's Bank	12 %
■ Brown Shipley	12½%	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	13 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶13 %	Whiteaway Laidlaw	12½%
Clydesdale Bank	12 %	Williams & Glyn's	12 %
C. E. Coates	12 %	Wintrust Secs. Ltd.	12 %
Consolidated Credits	12 %	Yorkshire Bank	12 %
Co-operative Bank	*12 %		
Corinthian Secs.	12 %		
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 10% and over £50,000 11%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10%.
¶ Mortgage base rate.

CURRENCIES, MONEY and GOLD

Dollar weak

Dollar lost ground against major currencies, reflecting uncertainty about the future direction of U.S. interest rates. Weekly make-up day for U.S. banks probably distorted overnight trading in Federal funds on Wednesday, but the sharp fall to around 7 per cent on that day added to market nervousness and encouraged some switching into gold and silver yesterday. Trading was very quiet in the morning, but there was a notable move out of dollars when New York and Chicago opened.

Sterling tended to benefit from this trend, rising quite sharply towards the London close, but showing little change against most European currencies despite an improvement in terms of the French franc.

European currencies were firmer against the dollar, but there was no significant change within the European Monetary System.

DOLLAR — trade-weighted index (Bank of England) fell to 110.5 from 111.2. It fell to DM 2.3985 from DM 2.4310 against the D-mark; to FFr 5.7625 from FFr 5.8125 against the French franc; to SwFr 2.0660 from SwFr 2.10 in terms of the Swiss franc; and to Y230.75 from Y233.60.

STERLING — trade-weighted index (Bank of England) rose to 88.5 from 87.7, after opening at 87.9 and standing at 87.8 at noon. The pound opened at $1.7900-1.7910, and fell to a low of $1.7850-1.7860, but recovered to $1.7900 by mid-afternoon, and touched a peak of $1.8110-1.8120, before closing at $1.8040-1.8050, a rise of 2.35 cents on the day. Sterling also improved to FFr 10.3950 from FFr 10.35, but eased to DM 4.33 from DM 4.3325 and to SwFr 3.7275 from SwFr 3.74. It was unchanged at Y416.50 against the yen.

D-MARK—Very firm at the top of the European Monetary System and now trading fairly steadily against the dollar. After falling to a five-year low against the U.S. currency in early August the D-mark has improved on a slightly easier trend in U.S. interest rates and a better trade performance. The market remains nervous about future trends in interest rates and continued tension in Poland—The D-mark improved against the dollar and sterling at the Frankfurt fixing, but weakened against several European currencies. The Bundesbank did not intervene when the dollar fell to DM 2.4140 from DM 2.4300, after touching a low point of DM 2.4085 in the morning. Euro-dollar rates showed little change, but the dollar's fall was probaly stemmed by nervousness about the situation in Poland. In the afternoon the U.S. unit continued to weaken, to around DM 2.4040 in late trading. Sterling was again depressed, falling to DM 4.3180 from DM 4.3390 at the fixing, but improving to DM 4.3280 in the afternoon. The French franc fell to DM 41.70 from DM 41.7450 per 100 francs, but most other members of the EMS were firm.

JAPANESE YEN — Fairly steady against the dollar over the last two months, following a weaker trend because of the sharp rise in U.S. interest rates. Japan's strong economic performance continues to give support to the currency — The yen improved against the dollar in quiet Tokyo trading, with the U.S. currency falling to Y231.50 from Y232.95, after touching a low of Y231.30. The dollar opened at Y233.20, and was around Y233.00 for most of the day, but weakened near the close. There were no new factors influencing trading, and the fall was attributed to banks adjusting positions, possibly sparked by dollar sales by European banks. Shortly after the opening the dollar touched a peak of Y233.55 on buying by Japanese banks to cover import settlements.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	40.7985	40.8928	+0.23	+1.14	±1.5361
Danish Krone ...	7.91917	7.80060	−1.50	−0.59	±1.6413
German D-Mark	2.54502	2.49639	−1.95	−1.04	±1.1368
French Franc ...	5.99526	5.98263	−0.21	+0.70	±1.3638
Dutch Guilder ...	2.81318	2.76284	−1.79	−0.88	±1.5159
Irish Punt ...	0.685145	0.684324	−0.12	+0.79	±1.6688
Italian Lira ...	1262.92	1250.53	−0.98	−0.83	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.
Sterling/ECU rate for September 10 — 0.576736

EXCHANGE CROSS RATES

Sept. 10	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.806	4.330	416.5	10.395	3.726	4.795	2183.	2.170	70.90
U.S. Dollar	0.554	1.	2.400	230.8	5.762	2.066	2.657	1210.	1.203	39.29
Deutschemark	0.231	0.417	1.	96.19	2.401	0.861	1.107	504.2	0.501	16.37
Japanese Yen 1,000	2.401	4.333	10.40	1000.	24.96	8.950	11.51	5241.	5.210	170.2
French Franc 10	0.962	1.736	4.166	400.7	10.	3.585	4.613	2100.	2.088	68.21
Swiss Franc	0.268	0.484	1.162	111.7	2.789	1.	1.286	585.6	0.583	19.03
Dutch Guilder	0.209	0.376	0.903	86.86	2.168	0.777	1.	455.3	0.453	14.79
Italian Lira 1,000	0.458	0.827	1.984	190.8	4.762	1.708	2.197	1000.	0.995	32.48
Canadian Dollar	0.461	0.832	1.995	191.9	4.790	1.718	2.210	1006.	1.	32.67
Belgian Franc 100	1.410	2.545	6.107	587.4	14.66	5.257	6.763	3079.	3.079	100.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 10)

3 months U.S. dollars		6 months U.S. dollars	
bid 187/16	offer 189/16	bid 181/8	offer 181/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Sept. 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12¾-12¾	16⅞-17⅛	20-21	12¼-12¾	6-8¼	11⅝-11⅞	17-18¼	19-22	12⅝-13⅛	6¾-7¼
7 days' notice	12⅝-12⅞	16⅞-17⅛	20-21	12-12¼	7½-8	11⅞-11⅞	18-19	27-30	14½-17	7⅛-7⅜
Month	13¼-13⅝	17⅛-17⅝	21¼-21⅝	13⅛-13⅞	11⅛-11¼	12⅛-12⅜	21-22	27½-29	17⅞-19	7⅜-7⅝
Three months	13⅞-14	18⅛-18⅞	21⅜-21¾	13¼-13⅝	11-11⅛	12¼-12⅜	22¼-23¼	28½-29½	19⅞-20¼	7⅜-7⅝
Six months	14⅛-14⅜	18⅜-18⅝	20½-20⅞	13⅞-13⅞	11-11⅛	12⅜-12⅝	22¾-23½	29-30	19⅝-20	7⅜-7⅝
One Year	14⅛-14⅜	17⅞-18	19¾-20⅛	13⅛-13⅞	10⅛-10⅜	12⅛-12⅜	24¼-22½	28¾-29¾	18½-19	7¾-8

SDR linked deposits: one-month 15¾-15⅞ per cent; three-months 15¾-16⅛ per cent; six-months 15¹⁵⁄₁₆-16⁵⁄₁₆ per cent; one year 15½-15⅞ per cent.
ECU linked deposits: one-month 15¾-16⅛ per cent; three-months 16⅛-16⅜ per cent; six-months 15¹³⁄₁₆-17³⁄₁₆ per cent; one year 16⅛-16⅜ per cent.
Asian $ (closing rates in Singapore): one-month 17¹¹⁄₁₆-17¹³⁄₁₆ per cent; three-months 18⅞-18⅞ per cent; six-months 18⅛-18¹¹⁄₁₆ per cent; one year 18-18¼ per cent. Long-term Eurodollar two years 17¾-17⅞ per cent; three years 17¼-17⅞ per cent; four years 17-17¼ per cent; five years 16⅞-17⅛ per cent; nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.50-17.60 per cent; three-months 17.80-17.90 per cent; six-months 18.20-18.30 per cent; one year 17.60-17.70 per cent.

MONEY MARKETS

Adequate supply

London clearing banks base lending rates 12 per cent

Day to day credit appeared to be in adequate supply in the London money market yesterday, following the Bank of England's early forecast of a flat day. Factors affecting the market included eligible bank bills maturing in official hands and a net take up of Treasury bills, totalling—£20m; and the unwinding of a previous sale and repurchase agreement—£100m. On the other side net Exchequer transactions totalled +£85m and there was a fall in the note circulation +£40m. Later in the day the Bank revised its forecast to a shortage of around £50m but gave no assistance during the morning or afternoon.

Discount houses were paying up to 12¼ per cent for secured call loans with late balances taken down to 11 per cent. In the interbank market overnight loans opened at 12¼-12⅜ per cent and stayed there for much of the day. However, the absence of Bank of England intervention on a shortage of £50m pushed rates up to 18-20 per cent during the afternoon although closing balances were taken as low as 7 per cent. Longer term rates were slightly firmer.

In New York Federal funds were quoted at 16⅛-16¼ per cent, slightly down from Wednesday. The market noted comments by President Reagan that U.S. interest rates were likely to fall once his economic programme was seen to be working, and also that for the time being he endorsed the current tight monetary policy adopted by the Federal authorities.

In Frankfurt there were no changes in key lending rates or credit policies after yesterday's regular fortnightly meeting of the Bundesbank central council. This was much in line with market expectations. There has been some speculation recently about the possibility of a slight easing in rates, reflecting an improvement in Germany's current account deficit, but Chancellor Helmut Schmidt pointed out that any fall in interest rates was equally dependent on movements in other countries, particularly the U.S. Call money remained at 12 per cent in the interbank market, the same as the special Lombard rate, while longer term rates showed a slightly firmer tendency.

In Paris call money was quoted at 17⅛ per cent, the same as Wednesday. Longer term rates were mostly unchanged.

MONEY RATES

NEW YORK	
Prime rate	20-20½
Fed. funds	16⅛-16¼
Treasury bills (13-week)	14.94
Treasury bills (26-week)	15.19
GERMANY	
Special Lombard	12.0
Overnight rate	12.00
One month	12.60
Three months	12.75
Six months	12.00
FRANCE	
Intervention rate	17.0
Overnight rate	17.375
One month	17.125
Three months	17.25
Six months	16.1875
JAPAN	
Discount rate	5.25
Call (unconditional)	7.3125
Bill discount (three-month)	7.40625

LONDON MONEY RATES

Sept. 10 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-20	12⅛-12⅝	—	—	12¼-12⅞	11-12½	—	—	—
2 days notice	—	—	12¾-12⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅛-12⅞	12⅞-13	—	12⅞	12⅞-13⅛	12⅝	—	—	—
One month	13⅛-13⅛	13⅛-13¼	13⅛	14-13¾	13⅞	13⅛-13⅞	12¾	12¹¹⁄₁₆-12⅞	12¾-12⅞	13⅛
Two months	13⅛-13⅜	13⅜-13½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14¾ per cent; four years 14¾ per cent; five years 14¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅛ per cent; four-month trade bills 13⅞ per cent.
Approximate selling rate for one-month Treasury bills 12⅞-12¹⁵⁄₁₆ per cent; two-months 12⅞-12⅞ per cent; three-months 13-13⅛ per cent. Approximate selling rate for one-month bank bills 12⅞ per cent; two-months 12⅞ per cent and three-months 13⅛ per cent; one-month trade bills 13⅛ per cent; two-months 13¼ per cent and three-months 13⅝ per cent.
Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from September 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rate of discount 13.0708 per cent.

GOLD

Firmer trend

Gold rose $16 to $451½-453½ in the London bullion market, the highest closing level since June 24. It opened at $445½-447½, and eased to $445-447, before touching a peak of $453½-455½. The metal was fixed at $448.00 in the morning, and $451.50 in the afternoon. There was good buying demand, reflecting the weakness of the dollar and concern over events in Poland and Angola.

In Paris the 12½ kilo gold bar was fixed at FFr 90,000 per kilo ($482.84 per ounce) in the afternoon, compared with FFr 90,000 ($484.18) in the morning, and FFr 89,500 ($478.15) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,840 per kilo ($448.72 per ounce), against DM 34,080 ($435.99), and closed at $450½-452½ compared with $435½-437½.

In Zurich gold finished at $450-453 compared with $438-441.

	Sept. 10		Sept. 9	
Gold Bullion (fine ounce)				
Close	$451½-453½	(£250-251)	$435½-437½	(£244¼-245¼)
Opening	$445½-447½	(£249-250)	$435½-438½	(£243¼-245¼)
Morning fixing	$448	(£250.419)	$436.25	(£245.919)
Afternoon fixing	$451.50	(£251.532)	$436.75	(£244.609)
Gold Coins				
Krugerrand	$466-467	(£258¾-259¼)	$450-451	(£252½-253)
1/2 Krugerrand	$239-243	(£132¾-134¾)	$235½-235½	(£132¼-132¾)
1/4 Krugerrand	$124-125	(£68¾-69¼)	$120-121	(£57¼-67¾)
1/10 Krugerrand	$52-53	(£28¾-29¼)	$50-51	(£28-28½)
Mapleleaf	$466-467	(£258¾-259¼)	$450-451	(£252½-253)
New Sovereigns	$112½-113¼	(£62½-62¾)	$108¾-109¼	(£61-61¼)
King Sovereigns	$125¼-127¼	(£69½-70½)	$122¾-124¼	(£68¾-69¾)
Victoria Sovs	$125¼-127¼	(£69½-70½)	$122¾-124¾	(£68¾-69¾)
French 20s	$127-133	(£70½-73¾)	$123-128	(£69-71¾)
50 pesos Mexico	$561-564	(£311½-313)	$541-544	(£303¾-305¼)
100 Cor. Austria	$439-442	(£243¾-245½)	$424-427	(£238-239½)
$20 Eagles	$582-587	(£323-326)	$575-580	(£322¾-325½)

THE DOLLAR SPOT AND FORWARD

Sept 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7850-1.8120	1.8040-1.8050	0.60-0.70c dis	−4.32	1.90-2.00dis	−4.32
Ireland†	1.4970-1.5250	1.5200-1.5250	0.05c pm-0.05 dis	—	0.20-0.45dis	−0.85
Canada	1.2021-1.2048	1.2021-1.2024	0.43-0.48c dis	−4.54	0.93-0.98dis	−3.18
Nethlnd.	2.6580-2.6740	2.6580-2.6620	1.05-0.95c pm	4.52	3.27-3.17 pm	4.86
Belgium	39.27-39.60	39.27-39.29	par-5c dis	−0.76	13-20 dis	−1.68
Denmark	7.4650-7.5590	7.5000-7.5300	1-1¾ore dis	−1.80	¼-¾ dis	−0.27
W. Ger.	2.3950-2.4225	2.3960-2.3980	1.14-1.08pf pm	5.55	3.58-3.52 pm	5.92
Portugal	65.70-66.00	65.80-66.00	25-80c dis	−10.47	45-205 dis	−7.59
Spain	97.50-97.90	97.60-97.65	10-20c dis	−1.84	30-45 dis	−1.54
Italy	1208½-1212	1210-1212	9½-11 lire dis	−10.16	30-33 dis	−10.41
Norway	5.9900-6.0290	5.9900-6.0100	2½-2ore pm	3.88	7.30-6.80 pm	4.70
France	5.7650-5.8025	5.7600-5.7650	2½-3½c dis	−5.99	8½-9¼ dis	−6.07
Sweden	5.1800-5.2160	5.1800-5.2000	1.20-1.00ore pm	2.54	4.35-4.15 pm	3.28
Japan	230.25-232.75	230.70-230.80	2.05-1.90y pm	10.27	6.15-6.00 pm	10.53
Austria	16.90-16.99	16.90-16.91	10-8½gro pm	6.57	24½-20½	5.32
Switz.	2.0500-2.0890	2.0645-2.0655	1.20-1.10c pm	6.68	3.80-3.70 pm	7.26

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Sept 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7850-1.8120	1.8040-1.8050	0.60-0.70c dis	−4.32	1.90-2.00dis	−4.32
Canada	2.1510-2.1720	2.1695-2.1705	1.25-1.35c dis	−7.19	3.70-3.80dis	−7.00
Nethlnd.	4.76½-4.81½	4.79-4.80	¼c pm-¼ dis	—	1¼-¾ pm	0.73
Belgium	70.80-71.30	70.85-70.95	30-40c dis	−5.92	110-120 dis	−6.49
Denmark	13.49-13.53	13.51-13.52	6-7ore dis	−5.77	14¾-16¾ dis	−4.95
Ireland	1.1820-1.1910	1.1860-1.1875	0.45-0.55p dis	−5.11	1.05-1.23dis	−3.84
W. Ger.	4.31-4.35	4.32½-4.33½	⅛-⅛pf pm	1.38	2-1½ pm	1.62
Portugal	117.50-119.20	118.70-118.90	60-160c dis	−11.11	200-455 dis	−11.03
Spain	174.40-176.20	175.80-176.00	65-85c dis	−5.46	235-275 dis	−5.80
Italy	2164-2187	2182-2184	24½-26½ lire dis	−14.02	77½-80½dis	−14.47
Norway	10.75-10.85	10.82-10.83	¾ore pm-½ dis	0.14	1½-¾ pm	0.32
France	10.33-10.44	10.39-10.40	6¾-7¾c dis	−8.37	22¼-23¼ dis	−8.75
Sweden	9.30-9.40	9.35-9.36	¾-1¾ore dis	−1.60	1¾-2¾ dis	−1.01
Japan	412-420	416-417	2.30-2.05y pm	6.27	6.80-6.45 pm	6.36
Austria	30.30-30.60	30.50-30.55	8-3gro pm	2.16	11-2 pm	0.85
Switz.	3.70-3.74	3.72¼-3.73¼	¾-¼c pm	1.61	2½-2 pm	2.41

Belgian rate is for convertible francs. Financial franc 76.90-77.00
Six-month forward dollar 3.60-3.70c dis. 12-month 6.30-6.50c dis.

CURRENCY MOVEMENTS

Sept. 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	88.5	−34.7
U.S. dollar	110.5	+4.0
Canadian dollar	86.4	−17.0
Austrian schilling	115.4	+22.3
Belgian franc	99.0	−0.8
Danish kroner	86.5	−9.5
Deutsche mark	117.8	+39.6
Swiss franc	137.9	+85.7
Guilder	109.1	+15.4
French franc	82.4	−11.9
Lira	57.2	−55.9
Yen	140.0	+33.9

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.632501	0.576564
U.S. $	14	1.12948	1.02625
Canadian $	20.66	1.35643	1.23520
Austria Sch.	6¾	19.2701	17.5181
Belgian F	13	44.4815	40.6084
Danish K	11	8.53870	7.80464
D mark	7½	2.74464	2.49587
Guilder	9	3.03563	2.76431
French Fr	9½	6.57583	5.97792
Lira	19	1374.86	1249.72
Yen	6¼	263.169	239.757
Norwgn. Kr.	9	6.86611	6.23394
Spanish Pts.	8	110.931	100.796
Swedish Kr.	12	5.91000	5.37448
Swiss Fr.	6	2.37439	2.16108
Greek Dr'ch.	20½	—	61.1153

OTHER CURRENCIES

Sept. 10	£	$		£ Note Rates
Argentina Peso	9789-9818†	5470-5490†	Austria	30.20-30.60
Australia Dollar	1.5735-1.5775	0.8745-0.8750	Belgium	75.50-77.50
Brazil Cruzeiro	196.24-197.24	109.12-109.54	Denmark	13.45-13.60
Finland Markka	8.170-8.192	4.5365-4.5395	France	10.30-10.50
Greek Drachma	102.855-107.617	59.00-59.10	Germany	4.30½-4.35½
Hong Kong Dollar	10.80-10.83	5.9950-6.0050	Italy	2120-2180
Iran Rial	145.50*	81.00*	Japan	416-431
Kuwait Dinar (KD)	0.500-0.511	0.2844-0.2845	Netherlands	4.75-4.81
Luxembourg Fr.	70.85-70.95	39.27-39.29	Norway	10.72-10.84
Malaysia Dollar	4.0530-4.0770	2.2500-2.2510	Portugal	116½-124
New Zealand Dlr.	2.1660-2.1910	1.2146-1.2155	Spain	169-190
Saudi Arab. Riyal	6.09-6.15	3.4195-3.4215	Sweden	9.28-9.38
Singapore Dollar	3.8830-3.8970	2.1550-2.1600	Switzerland	3.70½-3.74½
Sth. African Rand	1.7305-1.7325	0.9535-0.9545	United States	1.78-1.80
U.A.E. Dirham	6.54-6.60	3.6700-3.6730	Yugoslavia	78-79

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,280-16,300 and for the dollar 7,400-7,450. *Selling rate.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 9, 1981. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.06
Albania	Lek	3.6745
Algeria	Dinar	4.1875
Andorra	Fr. Franc	5.829
	Sp. Peseta	96.30
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7025
Argentina	Peso (c) (4)	5218.00
[illegible]	[illegible]	[illegible]
Guadaloupe	Franc	5.829
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	38.986
Guinea Rep.	Syli	21.8723
Guyana	Dollar	3.075
Haiti	Gourde	5.00
[illegible]	[illegible]	[illegible]
Pitcairn Is.	N.Z. Dollar	1.2177
Poland	Zloty (O)	31.00
Portugal	Escudo	65.95
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6597
Reunion Ile de la	Fr. Franc	5.829
[illegible]	[illegible]	[illegible]

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports. (3) Egypt—Floating rate fixed daily by Central Bank of Egypt for importers, exporters, tourists. (4) Argentina: June 22 Two Tier Policy Adopted. Commercial: Fixed by Central Bank of Imports and Exports. (5) Argentina: Financial allowed a clean float. (6) Somali: Parallel exchange rates introduced July 1—for essential imports. (7) Somali: Exports and Non-Essential Imports and Transfers.

Irvine

The New Town is striving to attract more industrial development at a time when one in four of the workforce is unemployed. Selling hard what Irvine has to offer is the key.

Production line of Hyster, a subsidiary of the U.S. group, which makes fork-lift trucks. The company's Irvine factory is its largest in Europe

Hope of better times

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

IRVINE OFFERS the enticing picture of industrial development in a seaside resort, with workers taking to their boats or relaxing on the sweeping beaches on their days off.

Pleasing as this sounds, Irvine is also a New Town in difficulty. Once described in an official report as being part of the major economic growth area for Scotland, it has found itself in a region which has suffered large-scale industrial closures and has one of the highest unemployment rates in Britain.

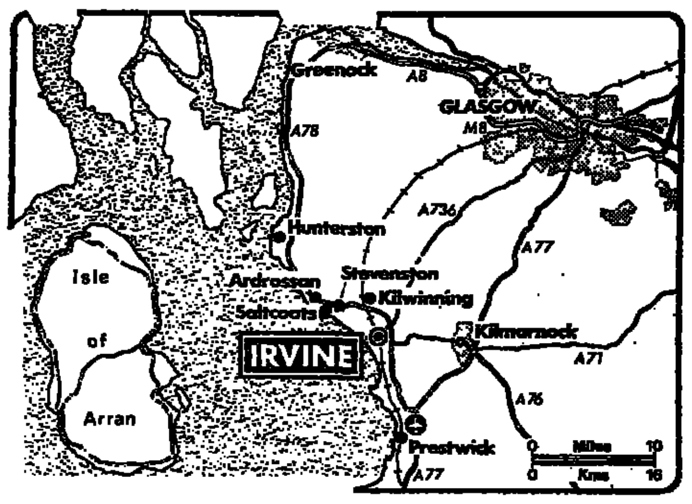
Irvine was launched at the end of the 1960s and was just getting into its stride when the 1973 Opec oil price rise and the gathering recession which followed turned the tide.

And just to make things even more difficult, the town today is striving for new industrial development at a time when the emphasis for new growth in Scotland is shifting back to the deprived inner cities.

Despite this gloomy perspective, two points are clear: that without Irvine New Town the industrial landscape in Ayrshire would be much bleaker, and with it the prospects for south-west Scotland are much brighter.

To clear away some of the poor impressions left by the heavy industrial casualties in this region, it also needs to be pointed out that the main closures have been outside the new town itself or from companies which existed before the town was created.

The closure of ICI's nylon works and Monsanto's manmade textile operations as well as Massey-Ferguson's combine harvester plant in the adjacent area, layoffs at the Swedish ball bearing firm SKF in Irvine —and even the death of Talbot's Linwood plant and most of the British Steel plant at Glengarnock in the catchment area for workers in the new town—have cost dearly in jobs.



Today one man in four in Irvine is unemployed and 25 to 30 workers are likely to apply for any one job pinned up at the Job Centre.

The plight of school leavers is even worse. Eight hundred young people are hoping for jobs but one official said: "We have had no jobs of any description for them for months."

At least 5,000 jobs have been lost from established industries alone in the region since January 1979 and during 1980 about 2,700 jobs were shed. In the view of one local churchman, laid-off workers are still living off their redundancy pay and real hardship threatens these families when the money runs out.

The New Towns in Scotland were created as a reaction to severe industrial decline there. Their mandate was to generate new economic growth outside the main centres and to provide much needed employment.

Irvine has sometimes been confused with East Kilbride, Cumbernauld and Livingston New Towns as overspill areas relieving Glasgow. But Irvine had its problems right at home with unemployment and industrial decline on its Ayrshire doorstep.

Some of the other New Towns such as East Kilbride or Livingston may be phased out by the end of the decade as they approach their population targets. But Irvine will probably be the last of the five to go. It is both the youngest and potentially the most populous new town with the current population of about 60,000 expected to double before the end of the century.

Irvine clearly has a vital role in industrial regeneration. In the view of Brig. Tony Rickets, who has just taken over as managing director of the New Town Corporation, a strong element of bad luck has dogged Irvine. But he sees signs that companies are getting better orders and there are signs of new interest. But he admits that change will be a painful process.

The maxim repeated by New Town officials such as Mr Mike Thompson, Irvine's commercial director, is that industry itself will decide where it wants to go and all that the various New Town and regional development officers can do is package what is offered as attractively as possible to attract new companies.

Expertise

What sells the New Towns at a time of recession is often the professional approach of their development teams. This is the expertise to spot potential clients sometimes even before the client has thought of expanding or moving. The follow-up takes the form of offering a development package of financial incentives, advanced factory space and housing for staff.

Now two changes of emphasis are altering the way Irvine is sold to the outside world and the way in which Irvine itself fits into the development of Scotland's economy.

Evolving from an earlier sense of competition for investment among the New Towns is a much more co-ordinated approach through the recently formed Locate in Scotland office. The office, which is designed to put overall Scottish interests first in the allocation of incoming industry, combines the resources of the Scottish Development Agency and the Scottish Economic Planning Department as well as the New Towns.

Through Locate in Scotland Irvine receives two or three inquiries a month. Some of these can take up to 18 months before they bear any fruit.

Locate in Scotland makes sure that Irvine gets a fair share of promotion abroad and assures that potential investors are shown what the town has to offer.

At the same time Irvine is involved in a second change of emphasis. This is to see itself increasingly as part of a regional development programme within Strathclyde, the region which includes Glasgow and much of the west of Scotland.

Irvine may find itself linked to the development of Prestwick Airport just off its southern boundary or Hunterston port 10 miles to the north. It is also co-ordinating its activity with local self-help organisations such as Asset—the Adrossen, Saltcoats Stevenston Enterprise Trust which is developing run-down areas in and around the ICI plant. Cunninghame District Council is also active with its own development programme within Irvine.

Mr Thompson also set up the Ayrshire Industrial Association to improve the feedback of information from companies operating in the region.

Organisations such as the association have helped identify problems such as the shortage of sub-contracting companies to complement some of the manufacturing operations in the New Town.

Approaches

Regional planners will look for new permutations and combinations for industrial expansion, and new approaches. Meanwhile, Irvine will continue to promote its strongpoints.

The New Town corporation proceeds from the assumption that the struggle for new investment is an uphill one. Unless there is a major breakthrough in the near future, the main feature of Irvine's development is likely to be growth from within—among its established 150 or more companies. But while 500 jobs were created within the New Town last year the gains were more than wiped out by the losses through closures and redundancies.

One key development this year will be the opening of Beecham's chemical works representing an investment of £46m since 1973. The plant has been built next to Beecham's pharmaceutical works which produces synthetic penicillin. The development will bring the company's workforce in Irvine to nearly 800.

British Telecom plans to open an international directory inquiry centre in Irvine in 1983 to handle queries from all of the UK outside the London area. The service will employ about 200 operators.

Volvo is completing an order for truck kits for Indonesia at its Irvine works and it has even managed to export the chassis for rubbish lorries to Sweden.

Another tendency in inward investment is the development of small companies. Irvine was slow off the mark to encourage this by providing the necessary advanced factory space, but this has been rectified. Today, advanced factory units ranging from 500 sq ft up to 75,000 sq ft are available.

Further closures will be unavoidable and the casualty rate is likely to be high among smaller companies. Scotboard, a chipboard manufacturer, announced recently that it will close its Irvine works in November with the loss of 150 jobs. It blames foreign dumping of chipboard and high energy costs for the failure.

Another disappointment for the New Town has been the lack of any Government department moving up from London. East Kilbride has about 650 staff of the Ministry for Overseas Development and the main income tax centre for Scotland is also at East Kilbride, employing more than 2,000.

The Inland Revenue's PAYE system is operated from Livingston but there seems little prospect now of any further Government moves.

Savi[illegible] in aid package

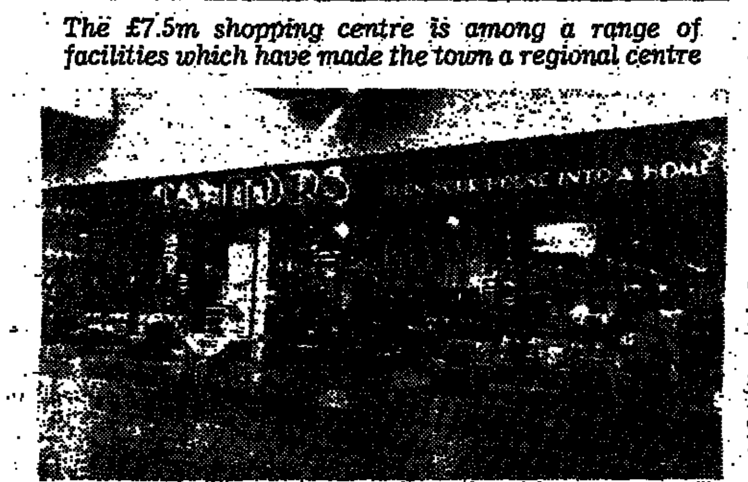
A COMPANY setting up in Irvine New Town could recover up to 40 per cent of its development costs under the package of financial assistance worked out by the corporation. A development package may include various combinations of the following aid elements and services:

- Up to two years rent-free for manufacturing industries taking corporation factory space.
- Specially-designed factory units built for a client by the New Town and handed over for sale with possible 22 per cent of costs recoverable under regional development grants. Possible rent-free occupation for two years if leased.
- Tax allowances: Up to 100 per cent can be claimed against machinery in the first year and this can be extended should the company fail to make a profit in subsequent years. Up to 79 per cent can be claimed on new building, up to 100 per cent on new small units.
- Regional selective assistance. Negotiated between the Scottish Economic Planning Department and a company. Up to 40 per cent of total operating costs could be recovered if it was shown that the company could not proceed with its project without assistance.
- Scientific and technological assistance. Again negotiable with the Scottish Economic Planning Department. Grant might cover expenses such as consultancy fees.
- Training allowance. Up to 80 per cent of training costs for approved schemes.
- EEC and European investment bank loans. Handled through the SEPD. Loans can cover up to 50 per cent of fixed capital costs at favourable rates of about 11 per cent.
- Exchange risk guarantee cover. Protection against currency fluctuations for European loans valued in European currency units.

Left: Irwin, the mascot designed to attract U.S. industrialists. Above: Irvine's 150-acre Beach Park with the Magnum Leisure Centre at upper left

Resort image a strong selling point

The £7.5m shopping centre is among a range of facilities which have made the town a regional centre



FOR PROMOTIONAL purposes, Irvine is packaged as a New Town - cum - seaside resort. Through its *advertising agents*, it has adopted as its mascot, an immigrant seagull from the U.S. named Irwin who, with an *attempt at a Bronx accent*, encourages "all those big business guys" to look over the town.

Despite widespread *uncharitable* feelings about the bird, Irvine's officials say it has helped to identify the town to potential investors arriving in Britain, who find themselves confronted with a myriad of locations and names.

No other Scottish New Town *can offer this resort image and* Irvine plays the card very strongly. Irvine's 150-acre Beach Park, local *marinas* and the Magnum Leisure Centre, operated by local district councils, have made the town a recreational centre for the entire Ayrshire region. But a strange story surrounds the impressive leisure centre, which *is the largest of its kind in* Western Europe attracting 1.5m visitors a year.

It is located directly opposite a wharf on the mouth of the River Irvine where ICI loads dynamite on to ships for export. In the past few months restrictions imposed on the centre by the National Health and Safety Executive have limited the *number of people in the centre* during prescribed loading times to 600 including staff.

Since the building could hold 6,000 at one time at its ice rink, swiming pools, squash courts and other gaming areas, the restrictions have severely crippled the centre's activity. It *could take up to 13,000* people passing through its gates on a busy Bank Holiday Sunday.

ICI's explosives works have been in operation in the area for nearly 100 years and there *have been no serious accidents.* What looks like a very odd planning decision, to build the *centre opposite the wharf, might* have gone unnoticed had not the Flixborough chemical plant *disaster* in 1973 set off investigations into similar hazards.

The entire leisure complex has been carved out of an area with mountains of toxic waste left by a Royal Ordnance depot. Now further development of the complex is severely limited and Irvine has a dent *in its image as a resort.*

The *development of* Irvine New Town has lifted house values in coastal towns such as Troon to the south and Largs to the north. Managers of companies in Irvine often find homes well on the periphery of the New Town area, preferring life in the small coastal villages.

Part of the reason for the *spread is the huge and inhospitable* area around the ICI establishment, where all but the nitric acid production facilities have now been closed down. A self-help scheme is now underway to improve three rundown towns close to Irvine — Ardrossan, Saltcoats and Stevenston.

Ardrossan sees much of the tourist traffic heading for the *Isle of Arran, an hour's ferry* ride away, and Arran's craggy profile dominates the sea view from the port.

Arran is a pleasant surprise after leaving the industrial surroundings of the mainland. It is very much a holiday island, with stunning scenery, where events move at a slower pace.

The island is an active centre for outdoor sports including *boating, hiking and climbing.* Brodick Castle, run by the National Trust for Scotland, *boasts a fine art collection.*

On the mainland a popular local holiday attraction is the large caravan park near Saltcoats. The New Town corporation runs an information centre *in Irvine town centre. Although* the information is largely orientated towards development *inquiries, the centre doubles as* a tourist office with leaflets and guidance for passing tourists.

Options for the future

WHAT ARE the development options confronting Irvine in the next few years? The New *Town has had to adapt its plans* to see it through the worst of the recession and it is unlikely *that alone* it will be able to reverse the dangerous trend in the region's unemployment.

The next year or two probably will see attention focussed on bringing in smaller companies *employing under 200* people rather than holding out for the big investor. Although the *failure rate is high among small* companies and officials are wary about going too far in this direction, the smaller units are currently making the best running in job creation.

Service industries, which are not considered good employment generators compared to manufacturing concerns, *are* likely to find more acceptance in Irvine. A fresh look at the options will also be encouraged by the town's new managing *director Brig. Tony Rickets.*

Further interesting proposals have been thrown up as part of Irvine's role in the development of the Clyde coast. One suggestion discussed among planners is the development of Prestwick Airport as a customs-free zone. This would make the airport *more of a commercial attraction* to trans-Atlantic passengers and the New Town boundary a few *miles from the airport* could point to the development of Irvine as a supply base for a customs zone.

Another idea is to make more use of Irvine as an industrial *and supply centre feeding* an expanded Hunterston port, about 10 miles north of the New *Town.*

Road communications will continue to present Irvine with a problem. The town is a good *30-minute drive from* the M8 motorway through Glasgow and slow road links can delay deliveries.

One example of the problems caused by these poor roads is *the Hyster company which has* not developed a range of large fork-lift trucks partly because *they would be too wide to carry* on the roadways into the town.

However, Volvo can rush parts as far south as Cornwall within 24 hours and Flow Laboratories can get its highly-perishable tissue cultures out for shipment by air from Prestwick and Glasgow Airport without major holdups.

One idea from planners is a *traffic flow system to short cut* the vast stretches of roadway around the town which take newcomers past vast acres of unused land.

BRIG. TONY RICKETS

A tough time ahead

THE APPOINTMENT of Brig. Tony Rickets, Chief *Engineer*, UK Land Forces, as managing director of Irvine Development Corporation adds to the air of a military takeover under way among the Scottish New Towns.

Former brigadiers already hold the post of chief executive *in Livingston and Cumbernauld* although Glenrothes and East Kilbride remain in civilian hands.

This pattern for outsiders to take the top posts in the New Towns has led to some discouragement among senior officials *hoping for the key* jobs. But all indications in Irvine point to a good working relationship between the new managing director and his staff.

The *brigadier*, whose past work has involved him in overseas *development* projects, has served in Egypt, Borneo and West Germany among his *Army* postings, is an active yachtsman, a pursuit which must make him feel at home in *seaside*-orientated Irvine.

Brig. Rickets forecasts a *tough time ahead,* when *the* New Town must present the best possible offers to win new *inward investment.* Apart from the unpromising outlook for new industrial growth, and jobs, he also sees a challenge from Ireland in the field of competition for new investment.

He accepts that over the next few years the accent will be on growth through smaller *companies* rather *than major* new expansion by a single developer.

Managers *among* the *companies* in the New Town predict a more positive approach to development with more drive and team work in the corporation, eliminating some of the uncertainties of direction in the past.

Mike Thompson: wooing potential clients

MIKE THOMPSON

Constructive outlook on the jobs crisis

NOTHING BREEDS success like *success* and Mike Thompson, Irvine's *commercial* director, is the first to admit that promoting Irvine from the not-too-successful basis of an un*employment blackspot is no easy* task.

Nevertheless, he is able to put a constructive outlook on the crisis, presenting it as offering inward investment, with a powerful reservoir of skilled labour on which to draw. Because much of the labour has been shed from highly-developed industry such as ICI and SKF, he also tells newcomers that they have a range of highly-skilled workers ready at hand.

At 43, Mr Thompson is Irvine's chief business negotiator, spending much of his time on the road wooing potential clients. Possibly two or three inquiries a month passed on to him by the Locate in Scotland office can lead to the 18 months or more in groundwork to pre*pare the right package for a* potential newcomer.

This sometimes can lead to disappointment as in the case with Digital, the electronics company, which decided eventually to settle further south at Ayr, and the factory site presently is used as a warehouse.

Mr Thompson *feels that* Irvine is getting its fair share of the inquiries put out by foreign investors as companies put out feelers. He and his team look at how and if the company would fit into the Irvine landscape. The Scottish Economic Planning Department, part of the Scottish Office, handles some of the vetting to make sure the New Town is getting the sound type of customer it needs.

WORLD STOCK MARKETS

NEW YORK

Early Wall St rally of 9.9

STOCKS ON Wall Street staged a recovery over a broad front in further active trading yesterday morning, but analysts were uncertain that the rally signified the start of a sustainable upswing in the market.

The Dow Jones Industrial Average, which managed to pick up slightly on Wednesday from its 15-month low, was ahead 9.89 at 863.77 at 1 pm yesterday. The NYSE All Common Index recouped 90 cents at $69.38, while advancing issues exceeded 1,000. Trading volume amounted to 34.54m shares, compared with 33.44m at 1 pm the previous day.

Michael Metz, of Oppenheimer and Company, said the market may have gained some support from indications that President Reagan plans to make a serious attempt to hold the Budget deficit in line.

Monte Gordon, of Dreyfus Corporation, said the gain was mainly the result of bargain hunting, to be expected following the sharp sell-off in the market over the past week.

"There is still no change in the factors which brought the market down in the first place. Investors are particularly concerned about high interest rates and the Federal Reserve's tight monetary policies," he added.

Federal Reserve chairman Paul Volcker said in Brazil last night that U.S. interest rates are unlikely to come down in the immediate future.

Oil and Technology stocks were leading the rally. Superior Oil put on ⅞ to $33⅞. Standard Indiana 1¼ to $53⅞. Exxon ⅜ to $32⅜ and Ashland 1⅛ to $36⅞.

In the Technology sector, Digital Equipment rose 1¼ to $90⅞, Data General 2⅛ to $44⅛. Four-Phase 2⅛ to $27⅞. Mohawk Data 1⅞ to $14½ and Compugraphics 1⅞ to $13½.

THE AMERICAN SE Market Value Index regained 5.33 at 326.03 at 1 pm on volume of 3.93m shares.

Closing prices for North America were not available for this edition.

Canada

Shares in Canada tended to harden after the recent severe setback, the Toronto Composite Index retrieving 14.9 at 2,063.4 at noon. Oil and Gas picked up 21.2 to 4,361.9 and Golds 73.4 to 4,153.8.

Tokyo

Oils, other energy-related shares and Non-ferrous Metals, which had all rallied strongly in recent sessions, retreated yesterday on profit-taking.

With the market in general showing a lower bias, the Nikkei-Dow Jones Average receded 45.90 to 7,583.27 and the Tokyo SE index 2.88 to 570.13. Declines outscored rises on the First Market by 331 to 258 following a fair volume of 320m shares (280m).

Among Oils and Non-ferrous Metals, Dowa Mining retreated Y14 to Y386, Mitsui Mining and Smelting Y7 to Y111, Teikoku Oil Y23 to Y828 and Arabian Oil Y70 to Y2,270.

Most Electricals also weakened, but Sony rose Y80 to Y4,160.

Heavy Machinery stocks continued to fall on foreign selling, with Hitachi losing Y12 at Y748, Mitsubishi Electric Y11 at Y404 and Toshiba Y3 at Y431.

However, Shipbuilders and Steels attracted support, Kawasaki Steel firming 5 to Y233, Nippon Steel Y2 to Y229 and Ishikawajima-Harima Y7 to Y219.

Paris

Stocks generally put on another bright performance in active dealings, although traders reported some profit-taking as trading progressed.

Market observers said the activity yesterday as well as on Wednesday was due to a large extent to the Government's decision to suspend trading in the securities of 32 banks and industrial corporations pending the submission of its nationalisation bill to Parliament.

The 32 concerns account for approximately 20 per cent of the total market value of securities traded on the Paris Bourse. The liquidity which would normally be invested in the securities of these companies is being diverted elsewhere in the market, operators said.

They added that the stock market is also benefiting from last week's changes in French banking regulations, which now discourage short-term time-deposits by French residents for amounts of less than FFr 500,000. Capital from these accounts is finding its way to the Bourse as the funds become unfrozen.

Germany

There was a sharp turn for the better in busy trading, stocks spirited upwards by slightly softer money market rates and a firmer Deutsche Mark, which led to increased foreign interest in West German shares.

Good institutional buying was noted, with sentiment also helped by a former Domestic Bond market and the modest overnight Wall Street rally. The Commerzbank index recouped 5.6 at 705.7.

Public Authority Loans recorded improvements ranging to 40 pfennigs. The Bundesbank sold DM 26.9m of paper, against Wednesday's sales of DM 5m.

Australia

Some Gold Mining issues moved ahead on the upturn in the Bullion price, but the market in general continued to weaken. The All Ordinaries index ended below the 600 mark for the first time since June last year, losing 8.1 more at 599.5.

Among Golds, Consolidated Gold climbed 26 cents to A$7.86, while Kitchener and Boomalli each added 10 cents.

However, the Metals and Minerals index closed 8.3 lower at 493.3, with MIM down 7 cents at A$3.90, CRA 6 cents off at A$3.59 and North Broken Hill 10 cents easier at A$2.70.

Good news from the oil drilling rigs is no longer drawing any buying interest for the explorers, and UK investors appear to be liquidating their positions. The Oil and Gas index, which dropped a further 21.6 to 636.2, has now fallen about 41 per cent since April, compared with a general market fall of about 19 per cent. BHP led yesterday's slide with a 35 cent fall to A$11.80, its lowest price this year.

Western Mining, which put a temporary halt to the slide earlier this week with the announcement of an oil find in the Canning Basin, finished the day 13 cents down at A$4.73.

Woodside Petroleum shed 5 cents to A$1.37, Santos 30 cents to A$5.00, Vamgas 70 cents to A$9.80, Petroleum Securities 40 cents to A$4.10 and Alliance Oil 3 cents to A$1.48.

Hong Kong

The market saw another day of consolidation after its three week fall, stock prices closing mixed with just a slight bias to lower levels, where changed. The Hang Seng index slipped only 3.61 to 1,515.88 after closing a shade harder the previous day. There was a reasonable turnover amounting to HK$424.45m on the four stock exchanges.

Long-term fears about the weakness of the local currency and the possibility of further interest rate rises continue to affect sentiment, but dealers noted some overseas buying interest at the lower levels. Some expect the index to fall further on chart analysis, but others see the market as oversold and predict an imminent rise.

Cheung Kong put on 20 cents to HK$27.30 and HK Telephone 30 cents to HK$20.10, but Hutchison Whampoa slipped 40 cents to HK$17.90 and Jardine Matheson 30 cents to HK$18.50.

Johannesburg

Gold shares advanced in response to the good rally in the Bullion price. Gains in Heavyweight issues mainly ranged between R1 and R3 although Randfontein moved ahead R6 to R68.

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

SPAIN

SWITZERLAND

HONG KONG

SINGAPORE

SOUTH AFRICA

BRAZIL

AUSTRIA

BELGIUM/LUXEMBOURG

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

NY. S.E. ALL COMMON

MONTREAL

TORONTO

NEW YORK ACTIVE STOCKS

Coffee producers seek 10c Pact price rise

BY JOHN EDWARDS, COMMODITIES EDITOR

THE International Coffee Organisation talks in London yesterday got down to serious business when the producing countries put forward a series of proposals, including a rise in the Agreement's price range for 1981-82.

There was no immediate reaction from consumers, who are not expected to respond formally until today or possibly tomorrow.

Main plank of the producers proposal is that the Agreement would start next season with export quotas set at a level of 50m bags (of 60 kilos each) a year if prices remained below 125 cents a lb on September 15 —as seems virtually certain.

The formal global quota would be set at 55m bags but quotas would only reach this level if market prices reached 145 cents a pound.

Under the producer proposal 1m bag increases in overall quotas would occur each time the ICO 20-day moving average indicator price rose through a fixed scale by 5 cents until reaching a maximum of 59m bags at over 164 cents, producer delegates said.

ICO stamps, which must accompany exports under quota, would be released as follows — September 15-October 1, 80 per cent of stamps for first quarter with the remaining 20 per cent released on November 1 and for the rest of the year 80 per cent 15 days before the start of the next quarter with the remaining 20 per cent released on the first day of the second month of that quarter.

Effectively this means that producing countries want a 10 cents rise (to 125 cents) in the Agreement minimum price, which they argue does not even match inflation in the U.S. this year.

However consumer, particularly the U.S., are known to feel that no increase in the price range is justified in view of the surplus supplies in the world that have forced market prices down to below 106 cents. Some consumer delegates feel it would be more realistic to reduce the minimum price nearer to current markt levels since the current Agreement has been unable to prevent prices falling below 115 cents in spite of imposing quota cuts of 5.6m bags.

Meanwhile EEC members yesterday discussed a proposal by that the amounts by which some exporters have fallen short of their quota entitlements during 1980-81, should be used to increase quotas of other exporters in 1981-82 above their basic entitlements.

ICO statistics show that after nine months exports were 2.4m bags below quota entitlements and by end of July, with only two months of the quota year remaining, exports had only reached 42.7m bags compared with an overall annual quota of 51.2m.

On the London coffee Robusta futures market yesterday prices moved up, reflecting sharp rise in New York overnight and optimism that agreement would be reached at the London talks. The November position closed £16.5 higher at £991 a tonne.

Pact saves Ghana cocoa

ACCRA—The Ghanaian cocoa industry would have been totally destroyed without a new International Cocoa Agreement, the Ghana news agency reported, quoting President Hilla Limann.

Mr Limann said the People's National Party which he heads has long recognised the need for price incentives to cocoa farmers to promote increased production and reduce smuggling. But he did not say when a rise in the producer price might be announced.

The price has stood at 120 cedis per headload of 30 kilos since 1979. The same headload would fetch an estimated 600 cedis in the neighbouring Ivory Coast.

Mr Limann said the government had stepped up provision of equipment such as farm implements, spraying machines, and improved varieties of seedlings in spite of a general policy of removing subsidies, according to the agency.

Cocoa prices on the London futures market moved up again yesterday. The December position closed £9 up at £1,297.5 a tonne—the highest level for the second futures position since April last year.

Traders said market sentiment was still being boosted by the possibility that the International Cocoa Agreement's buffer stock manager may soon start support buying operations.

Reuter reported from Tokyo that Japanese cocoa grindings rose 19.6 per cent to 13,012 tonnes in the first half of calendar 1981 from 10,878 in the same period last year.

The association said the increase resulted from a fall in world market prices of cocoa beans and higher domestic chocolate production.

Gold boost for metal markets

By Our Commodities Editor

FREE MARKET platinum and silver prices moved up sharply yesterday in the wake of gold. Free market platinum gained £6.60 to £250.70 a troy ounce — the highest level since December last year. The bullion spot quotation for silver was raised at the morning fixing by 39.85p to 610.4p an ounce—an eight-month high.

The weaker trend in the dollar was the main influence behind the rise, but traders claimed silver was attracting buying interest on its own merits from speculators who believe it will rise in price still further.

The strength in precious metals, especially gold, spilled over into base metal markets. Copper cash wirebars closed £12 up at £947.5 a tonne and cash lead £8.5 to £446.5 a tonne.

The uptrend in copper was encouraged by a firm opening in New York, where dealers were busy covering previous sales. Lead was boosted by forecasts of a rise in U.S. producer prices and rumours of more buying by the Soviet Union.

Other base metals were generally weaker. Zinc came under pressure from trade selling after the sharp price gains made on Wednesday.

● WASHINGTON—U.S. mines produced 3.0m ounces of silver in June, against 2.8m ounces in May and 2.9m in June last year, the Bureau of Mines reported.

Good prospects for soya meal

Turnover on the London soyabean meal futures market in the 12-month period to end of August rose by 73 per cent over the previous year to 43,039 lots (a little over 4.3m tonnes), Mr Richard Duncan, newly-elected chairman of the Market Association pointed out yesterday.

Mr Duncan said the increase had been achieved in spite of a quiet three-month period when the physical market in soyabean meal had been particularly inactive. He expected the market to become more volatile again, bearing in mind the poor Russian crop; the depressed European animal feed sector; and the likely continuation of recent currency fluctuations.

Butter sale to NZ attacked

BY NANCY DUNNE IN WASHINGTON

THE SIMMERING debate here over the sale of U.S. Government-owned surplus butter to New Zealand moved on to Capitol Hill yesterday as Administration officials defended the deal before irate congressmen on an agriculture subcommittee.

The sale of 220m lbs of aging, salted butter for 70 cents a pound was concluded after the State Department objected to its sale on the open market because the subsidised butter would have ended up in the Soviet Union.

Calling the deal part of a "schizophrenic policy of resuming grain sales to the Soviet but denying them butter, Iowa Congressman Thomas Harkin, the subcommittee chairman, complained about the agreement on several points. The sale, he said, was concluded for 70s a pound when the U.S. could have obtained $1 a pound on the open market.

New Zealand, through a veto on U.S. Government sales for year negotiated into the contract, now has the world butter market "locked up" for one year. It has recently vetoed a deal by the U.S. to sell butter to Egypt. Furthermore, although New Zealand has agreed not to sell the butter to the Soviets, it has not agreed not to sell them butter oil. Most of the U.S. butter will be converted into butter oil. "It is clear," Mr Harkin asserted, "that the Administration was never really serious about keeping this butter out of Soviet mouths, but that this butter sale is simply a ruse to make it appear that the butter isn't going to the Soviets—all at the expense of the American taxpayer."

Mr Michael Calingaert, deputy assistant Secretary of State, told the committee that the Administration believes it is wrong to subsidise any trade with the USSR. "Our grain exports are not subsidised, where our butter exports are," he said.

Subcommittee members argued that with grain programmes soon to cost more than dairy price supports, grain could be considered subsidised as easily as butter.

The Soviet Union buys U.S. grain at below the cost of production, Mr Harkin asserted.

Basic to the Administration's thinking, according to Mr Calingaert, was the belief that selling surplus on the open market would have been a violation of the Gatt agreement not to use export subsidies to displace the exports of another contracting party or to gain a more than equitable share of world export trade in a given product. He said that the Administration had feared a challenge by New Zealand that it had violated its Gatt obligations if the sale were made on the open market.

FARMER'S VIEWPOINT

Treaties made to be broken

WHEN I was reporting on the lamb war with France some 18 months ago, I was asked by a British diplomat if I thought the French would carry on with their intransigance once their elections (regional ones) were over. Commonsense, he asserted, would bring France back into line once the electoral die was cast. At that time the French were defying the European Court rulings in refusing access to British lamb imports.

I told him that I did not think there was a chance that the French would agree to any policy which would in any way harm the viability of their agricultural production (they term it "green oil") and the well-being of their farmers. What about Brussels and the Treaty of Rome? asked the diplomat. I could only repeat the reply given me when I asked the same question of the leader of one French sheep farming body: "Bruxelles, je m'en fou." (I don't give a damn about Brussels.)

It now looks as though Mr Peter Walker, UK Minister of Agriculture, and the British poultry industry is going to come under the same pressure as did the French. No doubt the French will be using the same phrases about hypocrisy and the need to obey the law that Mr Walker used to belabour them. For there is no doubt that the restrictions imposed on poultry imports were a last ditch effort to save an important part of the industry.

The word "industry" was deliberately chosen, because British poultry production, eggs, meat and turkeys has fallen into the hands of big business to a very large extent. The smaller producer has been wiped out. This has meant that instead of being in the hands of the self-employed, it is an industry with a large unionised workforce.

It can be safely assumed that what spurred Mr Walker to action were not the cries of the small farmers but the threat that if the menace of the French and Dutch potential exports, particularly of eggs and broilers, were to be realised, widespread bankruptcies and redundancies would swiftly follow.

The French advantage comes not from the much publiciseed processing plant in Britanny, but from the structure of the industry itself. Some years ago Sir John Eastwood tried to establish a large chicken complex in France and found his progress barred by law and by some rather nasty demonstrations.

The purpose of this law is to restrict farming enterprises in France roughly to what one man and his family can look after. People can inherit larger blocks, but there is very little scope for anyone to build a farming empire. There is absolutely no chance of corporate and institutional investment of a kind which has happened in Britain over the last few years. Even if legal loopholes could have been found, the reaction of farmers is sufficient to stop any such project in its tracks.

This gives the French poultry industry a basis of small-scale self-employed producers who can stand any amount of economic squeeze, and who also have, by their numbers, very great political strength. This political advantage is reflected in the assistance all French governments give to all their farmers.

Over the past years there have been special national measures to help certain sections. Loans are arranged on favourable terms at low interest rates. A blind eye is turned to the illegal interruption of imports which could materially affect the livelihood of farmers. This is happening over wine at present but has happened over Dutch and Belgian pigmeat, Spanish fruit, British lamb and so on.

On the subject of unfair aids, it is worth noting that the Dutch glasshouse industry enjoys the provision of gas at a price which gives the Dutch grower an advantage of about £8,000 an acre as compared with his British counterpart. This is supposed to be wiped out in 1984 but for the next three years British growers have to put up with it.

The British are not quite as pure as the driven snow in this respect. The importation of UHT (longer life) milk is barred on the pretext that it has not been processed in establishments controlled by a British local authority; in fact this case is going to the European Court. If this judgment goes against Britain, will we capitulate and allow the whole of the doorstep delivery of liquid milk fall apart as the alarmists claim it will? Or will the Court be defied?

There is nothing in my view basically anarchic in refusing to accept the judgment of the European Court. The Treaty of Rome, which the court is supposed to interpret, is no more or less sacrosanct than other treaties which have been made since history began only to be broken, discarded or compromised in the light of succeeding events.

It is sensible to try to enforce rules on competition, which, if fully implemented, could do great harm to quite large sections of the economies of various member countries? Particularly when most member countries are already breaking the rules in various subtle (and unsubtle) ways in efforts to look after their own populations as every democratically elected Government is bound to do.

This argument is fundamental to any reform of the Common Agricultural Policy which is at the moment under discussion. But reform is hardly the word. The very basis of the Common Policy aiming at common prices throughout the varied climatic and social differences of European farming was, and is, a manifest absurdity. Contrary to what its supporters say, it has nothing to do with European political unity. It is a source of great expense and, as recent events are showing, of increasing friction. This in the end will greatly harm European unity. It should be reformulated on a much looser framework.

John Cherrington

Farmers urge U.S. to sell more grain

WASHINGTON — The National Corn (maize) Growers Association (NCGA) has urged the Agriculture Department to offer the Soviet Union 15m tonnes of grain in addition to the 8m tonnes already offered for 1981-82 under the grain agreement existing between the two countries.

In a letter to Mr John Block, the U.S. Agriculture Secretary the group, representing U.S. maize farmers, suggested this in a series of measures it urged Mr Block to initiate before he considers a feed grain set-aside programme for 1982-crop maize.

Mr Block has already said the U.S. is prepared to offer the USSR 10m to 12m tonnes of additional grain during the September 30-October 1 talks in Moscow.

Some experts expect the U.S. may ask the Soviet Union to commit itself to buying an additional 10m tonnes, and may offer more, depending upon the size of the U.S. grain harvest.

Other measures the NCGA proposed to Mr Block included a $4.00 per bushel trigger (release) price for maize in the 1981 grain reserve with 30 cents per bushel storage payments, a one billion bushel cap on reserves and eligibility of past maize crops to enter the 1981 reserve.

● The Soviet Union this week agreed to buy an additional 100,000 tonns of Thai maize, raising its total import to nearly 300,000 tonnes so far this year, deputy agriculture minister Narong Wongwan said. Reuter.

BRITISH COMMODITY MARKETS

BASE METALS

Base-Metal Prices were mixed on the London Metal Exchange. Copper advanced strongly and touched £984 before closing at £980 reflecting good gains in precious metals and short covering in New York. [illegible]

Kerbs: Standard, three months £8,270, 80, 90. Afternoon: Standard, three months £8,275, 80, 60, 70, 60, 55, 60, 65, 60. Kerbs: Standard, three months £8,270, 65, 80. Turnover: 1,540 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficl'l	+ or —
Spot	3255-65	—5	3205-15	—45
3 months	3320-5	—5	3280-5	—40

[illegible]

GRAINS

Grains opened higher. November saw buying interest and looked firm against further forward positions. Wheat traded in thin volume. Values declined on forwards, with selling [illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar £160.00 (£155.00) a tonne cif Sept-Oct shipments. White sugar daily price £160.00 (£152.00).

October rapidly traded higher but then lost its gains during the opening [illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, Sept 10.

Precious metals and copper responded to lower interest rates and higher currencies and moved higher. Coffe closed mixed as near-by months weakened under roaster hedging pressure. Cocoa was marginally higher on active grinder interest. Cotton [illegible]

Live Hogs—Oct 52.55-52.60, Dec 54.65-54.60, Feb 54.20-54.40, April 51.20, June 53.45-53.30, July 53.50, Aug 52.00, Oct 50.60, Dec 53.50.

[illegible]

PUBLIC NOTICES

[illegible]

COMPANY NOTICES

[illegible]

TRAVEL

[illegible]

ART GALLERIES

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

[illegible]

LONDON STOCK EXCHANGE

Electricals still dictate course of equity leaders ICI strengthen late—Fourth successive rise in Golds

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 28	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

A more confident tone at the opening yesterday reflected London hopes that Wall Street's steadier tendency overnight would help to revive investment interest. Institutional activity, however, was again hampered by a continuation of the recent gyrations in certain Electricals and, with few general inquiries from small private clients, leading shares fairly soon gave up early gains of a few pence.

Favourable company trading statements led to a number of firm features, including **Turner and Newall**, but the Monopolies Commission's rejection of the **Enserch** bid for **Davy International** lowered the latter sharply.

With the course of Electricals dictating events in equities, leading shares were generally a shade easier throughout the afternoon and showed no inclination to rally despite a much brighter tone on Wall Street soon after yesterday's opening. In the after-hours' trade, however, sudden buying of **ICI**, which jumped to 276p following advice given at a broker's seminar, caused another change of market direction.

Measuring this, the FT Industrial Ordinary share index closed with a gain of 2.2 at 548.6; at the first calculation, the index had stood 3 points up, but at 3 pm it had shown a net loss of 0.9.

Gilt-edged buyers were heartened by the steep fall overnight in Federal Funds' rates and by the call for lower American interest rates. Business was limited and mostly embraced orders from smaller investors, but selected longs went ¼ higher and, after looking slightly hesitant just before the official close, improved further in the after-hours' trade.

Lower U.S. interest rate hopes and the Polish situation caused the bullion price to rise strongly. Accordingly, South African Gold shares advanced again and heavyweight stocks recorded rises of two points or more. The FT Gold Mines index jumped 16.8 to 415.6 for a gain of nearly 9 per cent over the past four trading sessions.

Business in Traded options contracted once again and only 676 deals were arranged, most of which were completed during the afternoon session. **British Petroleum** were reasonably active and recorded 135 calls.

Insurances dip and rally

Insurances recovered from an easier opening to close with modest improvements on balance. Life issues had **Prudential** closing a penny dearer at 233p, after 228p, following interim results which match market estimates. Dealings in **Provident Life** were suspended at 328p at the company's request; the company is in receipt of a 320p per share offer from Winterthur Swiss Insurance and has initiated further discussions. **Sedgwick Forbes** were noteworthy among brokers, rising 4 to 155p in response to the interim results.

Recently dull leading Buildings took a firmer line, but improvements rarely exceeded a few pence. Further consideration of the interim results left **Costain** 2 dearer at 240p and the **Deferred** 4 firmer at 240p. **Barratt Developments** added 3 to 248p as a line of stock was cleared. Elsewhere, **Wilson (Connolly)** rose 6 to 192p after comment on the half-yearly results, while **Heywood Williams** touched 35p before closing a penny dearer on balance at 33p following the return to profitability. Among the more speculative issues, **John Finlan** touched 175p before settling a net 2 cheaper on balance at 169p awaiting the outcome of discussions with an unnamed party, while **Phoenix Timber** reacted to 112p before closing 6 off at 114p. **Conder International** lacked support and gave up 5 to a 1981 low of 80p.

ICI fluctuated narrowly around the overnight level of 262p before late demand, fuelled by bullish reports emanating from a brokers' seminar left the close 14 up at 276p. **Stewart Plastics** rose 4 to 150p in response to the increased annual profits and proposed 50 per cent scrip issue, but **Yorkshire Chemicals** shed 3 to 35p, after 34p, on the interim loss.

Grant Bros. revive

Buyers continued to shy away from leading Stores which hovered around the overnight positions in very quiet trading. **Raybeck** stood out with a rise of 4 to 49p helped by vague rumours of a forthcoming dawn raid. Revived takeover speculation prompted speculative support of **Grant Bros**, 20 higher at 143p. **Rowland Gaunt** continued to make spectacular progress in the wake of the partial bid of 25p per share from Queensway Securities and closed 10 better at 80p, after 85p, for a jump of 58 since the offer was announced on Tuesday.

Leading Electricals met fresh selling, but most quotations rallied and ended with small gains on balance. **Racal** closed 3 firmer at 446p and **Thorn EMI** a few pence dearer at 452p, while **Plessey** finished unaltered at 349p, after 342p. **GEC**, however, recorded a fall of 8 at 752p, after 748p. Occasional selling was again evident in selected secondary issues, falls of 10 being marked against **Bowthorpe**, 186p, and **Ferranti**, 540p. **Telefusion**, on the other hand, firmed 2 to 49p, on the increased annual dividend and profits.

Davy Corporation, down 21 at 178p, took a distinct turn for the worse following the Monopolies Commission's ruling against the bid from Enserch of the U.S. **Acrow** issues came to life, the Ordinary rising 4 to 62p and the A a similar amount to 40p on favourable reports following a broker's visit to the company, while **Ductile**, helped by the encouraging tenor of the chairman's statement on trading, also firmed 4 to 80p. **Blackwood Hodge**, in contrast, reacted 4 to 26p, on the half-year loss. Movements in the Engineering leaders were usually small and irregular.

Linfood, the subject of considerable speculative activity of late, touched 162p before settling a net 6 up at 160p after confirmation that **Guinness Peat**, 3 down at a 1981 low of 87p, had sold its 20 per cent stake in the company at approximately 139p per share to Gulliver Foods. **Argyll Foods**, the intended recipient of Gulliver's stake, reacted to 116p before closing a net 4 down at 117p. **United Biscuits** slipped to 126p before closing a penny cheaper on balance at 128p following the interim results, while **Associated Dairies** eased 4 to 190p and **J. Sainsbury** 5 to 455p.

Turner and Newall up

Better-than-expected half-yearly results prompted a gain of 3 to 93p in **Turner and Newall**, but **Bowater** continued to give ground following comment on the interim figures and eased 4 more to 246p. Other leading miscellaneous industrials showed few changes after fluctuating narrowly. Elsewhere, **Durapipe** featured with a jump of 14 to 39p in response to the rival offer from Glynwed; dealings were briefly suspended pending details of the new bid. Still reflecting the fall in half-yarly profits, **Huntleigh** gave further ground and closed 6 down at 131p. **European Ferries** ended 4½ cheaper at 75p, after 73p, on the half-yearly loss, while **Hepworth Ceramic** eased 3 to 114p on lower interim earnings. The Prime Minister's meeting with President Mitterand caused a revival of hopes about the chunnel project and left **Channel Tunnel** 17 higher at 147p. **Amalgamated Metal** firmed 13 more to 395p awaiting possible bid developments, but **Smiths Industries** ended 10 cheaper at 375p following news of the U.S. acquisition.

The increased interim loss and the board's gloomy statement left **Black and Edgington** 5 down at 55p. Elsewhere in the Leisure sector, **Pleasurama** shed 8 to 310p and **Samuelson Film Service**, a thin market, gave up 15 to 225p

A reasonably active business developed in **Dowty** which touched 251p before settling for a net gain of 2 at 246p; the shares are due to be quoted ex the 1-for-2 scrip issue next Monday. Elsewhere in Motors, **Appleyard** added a couple of pence to 63p in front of today's mid-term statement.

Leading Properties encountered fresh offerings, but the appearance of a few cheap buyers at the lower levels left some quotations a shade above the worst. **Land Securities** finished 2 off at 320p, after 319p, and **MEPC** 3 cheaper at 231p, after 230p. **Mountleigh**, a couple of pence firmer awaiting the preliminary results, reverted to 115p following the announcement.

Oils quiet again

Conditions in the Oil market remained extremely quiet. Leading issues remained steady but some of the more speculative stocks took a distinct turn for the worse. **Berkeley Exploration** closed 13 down at 310p after the half-yearly report. **Candecca** fell 7 to 173p, while **International Petroleum** reacted 15 to 230p and **Sun (UK) Royalty** 20 to 240p.

Investment Trusts reflected the quiet trading elsewhere in equities and movements of note were scarce. **Atlantic Assets**, 263p, recovered half of Wednesday's fall of 6, but Far-Eastern advices clipped 4 from **Crescent Japan**, 355p, and 6 from **G.T. Japan**, 384p. Among Financials, **Yule Catto** rose 3 to 78p following the first-half results.

Press comment high-lighting the company's recovery potential lifted **P & O Deferred** 5 to 115p, more than recovering Wednesday's fall which followed the interim statement. Elsewhere in Shippings, scattered support left **Ocean Transport** 3 dearer at 115p.

Sirdar featured otherwise idle Textiles, gaining 7 to 210p on renewed bid speculation.

Currency influences prompted support of **Bats**, which rallied 7 to 382p.

Golds surge ahead

Hopes of a downturn in U.S. interest rates coupled with continuing tension over the situations in Poland and Angola pushed the bullion price through $450 for a closing gain of $16 to $452.50 an ounce and led to heavy buying of South African Gold shares.

Demand for shares was sustained and substantial and again found the market short of scrip. Prices were marked up at the outset and continued to improve throughout the day as interest from London, Johannesburg and the Continent was quickly followed by large-scale buying from America.

Consequently, closing prices were easily the day's best and the Gold Mines index advanced for the fourth successive trading day to register a gain of 16.8 to 415.6, its highest since January 6.

In the heavyweights, rises in excess of £2 were common to "**Amgold**," £50¼, and **Gold Fields of South Africa**, at a 1981 high of £44, while gains of a point and more were seen in **Randfontein**, £29¾, **Buffels**, £22¾, **Kloof**, £18¾, and **Vaal Reefs**, £38.

Financials mirrored the strength of Golds. **Anglo American Corporation** moved up 15 to a high of 785p, **Johnnies** a point to £40½ and **Gencor** ½ to a year's best of £11½.

Golds made the running in an uncertain Australian section. **Central Norseman** advanced 50 to 537p, **Gold Mines of Kalgoorlie** 20 to 500p, **North Kalgurli** 4 to 76p and **Poseidon** 3 to 248p.

FINANCIAL TIMES STOCK INDICES

	Sept. 10	Sept. 9	Sept. 8	Sept. 7	Sept. 4	Sept. 3	A year ago
Government Secs	64.03	63.85	63.88	63.90	64.15	64.49	70.78
Fixed Interest	65.75	65.64	65.79	65.80	65.84	65.90	71.86
Industrial Ord	548.6	546.4	551.3	547.9	564.9	568.0	503.0
Gold Mines	415.6	398.8	388.4	385.0	381.8	390.1	448.8
Ord. Div. Yield	5.51	5.51	5.46	5.48	5.40	5.29	7.30
Earnings, Yld. %(full)	9.76	9.93	9.83	9.73	9.02	9.22	17.23
P/E Ratio (net) (*)	12.89	12.73	12.86	13.05	14.79	14.27	7.07
Total bargains	15,802	16,478	16,556	16,269	15,629	15,036	22,478
Equity turnover £m.	—	99.96	139.65	174.65	121.60	110.61	128.79
Equity bargains	—	11,794	11,896	11,912	12,090	11,937	17,347

10 am 549.4. 11 am 548.4. Noon 548.7. 1 pm 545.8.
2 pm 545.5. 3 pm 545.5.

Latest Index 01-246 8026.

Nil=11.62.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	63.12 (21/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (29/5)	65.36 (21/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	262.5 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 9	Sept. 8
—Daily Gilt Edged Bargains	137.8	144.0
Equities Bargains	76.4	77.1
Value	202.0	282.7
5-day Avrge. Gilt Edged Bargains	141.2	142.5
Equities Bargains	77.3	77.8
Value	261.4	266.0

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (35)

BRITISH FUNDS (1)
Treas. 8½pc '80-82
INT. BANK (1)
Int. Bank 5pc '77-'82
AMERICANS (1)
Colt Inds.
BEERS (1)
Bulmer (H. P.)
BUILDINGS (1)
Tilbury Contracting
STORES (1)
Tricoville
ENGINEERING (2)
Lane (Percy) Whessoe
INDUSTRIALS (8)
Durapipe, Pauls & Whites, Dyson (J. & J.), Peerless, Francis Inds, Portals, Metal Closures, Triefus
MOTORS (3)
Herman Smith, Lex Service, Adams & Gibbon
OVERSEAS TRADERS (2)
Steel Brothers, Tozer Kemsley 8pc Ln
MINES (14)
Grootvlei, Libanon, Kinross, Southvaal, Leslie, Venterspost, Winkelhaak, St. Helena, Buffels, Anglo American, Doornfontein, Gencor, Kloof Gold, Gold Fields S.A.

NEW LOWS (39)

BANKS (1)
Guinness Peat
BEERS (1)
Scottish & Newcastle
BUILDINGS (3)
Conder Int., Manders, Crouch Group
STORES (3)
Foster Brothers, Time Products, Sonic Sound
ENGINEERING (1)
Spencer Clark
FOODS (1)
Chambers & Fargus
INDUSTRIALS (2)
Change Wares, Wood & Sons
LEISURE (1)
Saga Holidays
PROPERTY (3)
Apex Props., British Land 12pc Cnv, British Land
SHIPPING (1)
Hunting Gibson
SHOES (1)
Scott (David)
SOUTH AFRICANS (1)
'A' Greatermans A
TRUSTS (4)
Oil & Assoc, Mexico Fund, Lon. Merchant Defd., Yelverton
OIL & GAS (10)
Energy Services, Magellan, Gas & Oil Acreage, Sun (UK), Hamilton Oil, Palliser Res., ICC Oil, Weeks Aust, KCA, Weeks Pref. (Aust.)
MINES (6)
Greenbushes, York Resources, N. West Mining, Anglo-Dominion, Oilmin, Barymin

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	1	16
Corpns., Dom. and Foreign Bonds	13	6	51
Industrials	167	257	945
Financial & Props.	45	114	343
Oils	10	45	47
Plantations	—	6	17
Mines	75	22	71
Others	52	59	88
Totals	437	510	1,578

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Anglo Am. Gold	£50⅛	+ 2¼	MEPC	231	− 3
Davy Corp	178	−21	P & O Defd.	115	+ 5
Geevor	170	−20	Plessey	349	—
GEC	752	− 8	Prudential	233	+ 1
G. M. Kalgoorlie	500	+20	Tanks Con.	317	+ 5
Linfood	160	+ 6	Utd. Biscuit	128	− 1

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Weds. closing price pence	Day's chnage	Stock	No. of price changes	Weds. closing price pence	Day's chnage
GEC	21	760	−13	Plessey	12	349	−12
Bowater	16	250	− 5	Imperial Group	11	64½	+ 1½
BICC	15	262	− 8	Davy Corp.	10	199	+11
RTZ	15	530	−10	Thorn EMI	10	450	− 8
P & O Dfd	14	110	− 4	Rank Org.	9	160	+ 1
Racal Elect.	14	443	−12	BAT Inds	8	375	—
House of Fraser	13	174	− 9	Stndrd. Chrtrd.	8	660	—

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 7	Sept 18	Dec 3	Dec 14
Sept 21	Oct 2	Dec 17	Dec 28
Oct 5	Oct 16	Dec 31	Jan 11

For rate indications see end of Share Information Service

Calls were taken out in FNFC, Plessey, Premier Oil, Sangers, Tricentrol, Kwik-Fit, Tozer Kemsley and Millbourn, KCA International, BSR, Britannia Arrow, Phoenix Mining, Dunlop, Alexander Howden, Turner and Newall and Pan Canadian Petroleum. A put was done in Lucas, while FNFC were dealt in for the double.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., Sept. 10, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. Sept. 9 Index No.	Tues. Sept. 8 Index No.	Mon. Sept. 7 Index No.	Fri. Sept. 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	359.53	−0.3	10.20	4.33	12.03	360.68	364.69	364.80	371.54	292.39
2	Building Materials (25)	319.96	−0.1	14.45	5.35	7.86	320.32	320.94	321.20	326.78	257.54
3	Contracting, Construction (28)	581.65	+0.4	16.31	4.90	7.12	579.52	583.71	587.90	595.55	428.90
4	Electricals (30)	1172.73	−0.6	7.70	2.38	16.21	1179.87	1203.08	1202.93	1228.57	891.90
5	Engineering Contractors (10)	500.34	−2.0	12.82	5.45	9.18	510.49	500.45	502.83	504.13	349.33
6	Mechanical Engineering (69)	205.32	−0.3	11.76	5.56	10.95	205.87	207.84	208.19	212.08	186.38
8	Metals and Metal Forming (13)	169.11	−0.2	9.40	7.03	13.95	169.44	171.05	168.26	170.37	167.73
9	Motors (21)	104.25	+0.7	1.64	6.64	—	103.52	103.38	102.64	104.29	103.23
10	Other Industrial Materials (18)	380.74	—	9.41	5.30	12.75	380.80	384.71	385.89	393.90	0.00
21	CONSUMER GROUP (195)	284.11	−0.3	12.03	5.65	10.28	284.87	286.52	286.41	288.31	252.74
22	Brewers and Distillers (20)	296.84	−0.9	15.06	6.50	7.99	299.61	301.21	299.16	301.41	295.82
25	Food Manufacturing (21)	269.97	−0.4	14.47	6.19	8.34	271.09	271.79	273.24	274.52	222.97
26	Food Retailing (14)	555.07	−1.1	8.86	3.20	13.47	561.43	564.57	566.64	562.94	395.88
27	Health and Household Products (7)	349.41	−0.2	7.93	4.23	15.07	349.98	352.91	357.21	360.13	236.74
29	Leisure (22)	445.23	+0.1	8.95	4.91	13.89	444.64	447.87	448.29	453.39	345.77
32	Newspapers, Publishing (12)	489.91	+0.2	12.25	6.04	11.83	488.80	489.99	494.41	501.07	435.69
33	Packaging and Paper (13)	145.51	−0.4	13.70	7.28	8.75	146.10	147.83	147.62	149.48	129.99
34	Stores (44)	263.90	−0.1	10.94	5.04	12.20	264.21	266.74	265.21	267.63	244.99
35	Textiles (23)	160.24	−0.2	7.27	5.70	19.78	160.54	161.40	161.96	163.88	119.50
36	Tobaccos (3)	266.38	+1.3	19.07	9.37	6.14	262.90	261.24	259.27	259.46	238.81
39	Other Consumer (16)	282.99	−0.4	4.30	5.97	59.51	284.07	284.14	285.04	285.68	0.00
41	OTHER GROUPS (79)	231.01	+1.3	10.84	6.20	11.79	227.93	228.47	228.77	231.86	227.71
42	Chemicals (15)	291.57	+3.0	5.72	6.23	28.69	283.04	283.97	283.85	287.64	320.23
44	Office Equipment (5)	112.88	—	14.66	7.57	8.25	112.87	112.87	112.54	114.35	105.16
45	Shipping and Transport (13)	515.92	−0.2	20.53	7.39	5.80	516.99	521.37	523.88	529.46	599.17
46	Miscellaneous (46)	306.41	+0.4	12.41	5.47	9.73	305.27	305.25	306.15	310.43	279.97
49	INDUSTRIAL GROUP (488)	302.35	−0.1	11.19	5.21	11.07	302.62	304.87	304.89	308.55	261.93
51	Oils (12)	708.73	−0.1	20.47	8.12	5.53	709.36	710.05	712.29	706.81	806.26
59	500 SHARE INDEX	335.32	−0.1	12.73	5.70	9.49	335.61	337.75	337.94	340.98	305.12
61	FINANCIAL GROUP (119)	268.72	−0.1	—	5.59	—	268.88	271.49	271.43	275.32	249.04
62	Banks (6)	275.57	−0.2	32.33	6.81	3.64	276.22	277.22	276.51	280.84	250.20
63	Discount Houses (10)	262.51	−0.9	—	8.59	—	264.92	264.92	265.46	267.38	293.62
64	Hire Purchase (3)	241.66	−1.2	12.67	7.65	10.92	244.63	245.72	244.79	253.24	238.71
65	Insurance (Life) (10)	280.83	+0.2	—	5.44	—	280.27	286.08	287.93	293.69	248.31
66	Insurance (Composite) (9)	178.16	+0.5	—	7.41	—	177.19	178.88	178.84	182.56	176.39
67	Insurance Brokers (8)	436.40	+1.4	10.20	5.32	13.30	430.48	432.97	432.44	434.82	322.56
68	Merchant Banks (13)	164.99	−0.7	—	5.20	—	166.20	167.50	169.11	171.28	147.19
69	Property (50)	477.57	−0.6	4.03	2.94	33.56	480.57	487.08	487.23	491.26	467.80
70	Miscellaneous (10)	182.07	—	17.59	6.13	6.92	182.11	182.41	179.55	181.21	155.18
71	Investment Trusts (109)	313.75	−0.1	—	5.09	—	313.96	316.99	319.05	321.98	273.60
81	Mining Finance (3)	268.48	+0.9	13.11	5.09	8.98	266.16	269.31	264.09	264.93	257.26
91	Overseas Traders (19)	434.25	−0.2	10.73	6.85	11.88	435.02	437.32	438.23	416.40	441.36
99	ALL-SHARE INDEX (750)	322.28	−0.1	—	5.65	—	322.46	324.82	324.91	327.64	294.71

FIXED INTEREST

	PRICE INDICES	Thurs. Sept. 10	Day's change %	Wed. Sept. 9	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.98	+0.14	106.82	—	7.82
2	5-15 years	103.32	+0.38	102.92	—	8.72
3	Over 15 years	103.81	+0.42	103.38	—	10.34
4	Irredeemables	112.58	—	112.58	—	9.05
5	All Stocks	104.38	+0.31	104.05	—	8.88
6	Debentures & Loans	80.83	−0.10	80.91	—	7.67
7	Preference	62.16	—	62.16	—	5.39

	AVERAGE GROSS REDEMPTION YIELDS		Thurs. Sept. 10	Wed. Sept. 9	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.56	12.62	11.61
2		15 years	13.36	13.38	11.60
3		25 years	13.61	13.64	11.60
4	Medium Coupons	5 years	14.81	14.86	13.02
5		15 years	15.34	15.40	13.08
6		25 years	14.89	14.96	12.87
7	High Coupons	5 years	14.73	14.79	13.16
8		15 years	15.50	15.57	13.42
9		25 years	15.12	15.18	13.05
10	Irredeemables †		13.22	13.22	11.14
11	Debs & Loans	5 years	15.97	16.02	13.96
12		15 years	16.04	16.02	13.84
13		25 years	16.07	16.02	13.73
14	Preference †		15.83	15.83	14.45

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. or amount	Times covered	Gross yield	P.E. ratio
153	F.P.	21/8	172	150	✠Aerospace Eng.	150	−5	bd7.5	1.4	7.1	13.9
64	F.P.	3/9	63	55	East of Scot. Onshore	55	−5	g0.85	—	2.2	—
52	F.P.	24/9	95	75	✠Fleet St. Lotter. 5p.	93	+3	u2.5	1.9	3.8	18.5
—	F.P.	14/8	8	6	✠Hartons 5p.	8	+1	—	—	—	—
25	F.P.	18/9	28	26½	JapanAssetsTrust 10p.	26½	−½	—	—	—	—
62	F.P.	2/10	56½	55	Jeavans Eng.	56	.....	b3.75	1.7	9.6	7.3
130	F.P.	1/10	136	132	✠Markheath 54.6%Pfd	136	.....	13.65	1.6	14.3	—
[illegible]	F.P.	20/8	125	105	✠Newcourt Oil	105	−5	—	—	—	—
—	F.P.	—	180	180	Nippon Electric	180	.....	Q8259	2.9	0.9	59.7
100		25/9	103	98	✠Ramus	98	−2	gd6.0	2.1	7.3	11.6
—	F.P.	18/9	14	10	Stewart Ent. Warrs.	12	.....	—	—	—	—
$2	F.P.	28/8	120	114	St'ckhold'rsF.E.Inv $1	114	.....	—	—	—	—
66	F.P.	7/9	88	75	✠Thorpac	88	−2	b1.82	3.7	3.0	11.6
100	F.P.	15/7	104	88	Utd.Comp.&Tech. 50p	99	.....	—	—	—	—
15	F.P.	25/9	17½	15	✠WillaireSystems 10p	15	−⅛	—	—	—	—
**	F.P.	11/9	15	12	Do. Rest. Div. 10p.	12xr	−1	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price	+ or −
**	F.P.	—	127	120	Amal Dist. Products 10 Cv. Ln. '97	122	−2
100	£40	20/10	38¼	38¼	Birmingham Drop-Lock '86/93	38⅝	−¼
100	F.P.	7/8	112½	97½	Chloride 7½% Conv. Prf.	100	.....
*	F.P.	24/9	100½	99½	East Surrey Water 10% Prf. 1986	101	.....
100	F.P.	28/8	115	104	Hanson Trust 9½% Cv. Uns. Ln. 2000-6	109	+1
98½	£25	12/11	25¼	24½	Inco 15¼% Uns Ln. 2006	25	−¼
100	F.P.	12/8	124½	110½	Jones Edward 15% Cnv. Uns. Ln. '96-98	113	−2
*97	£10	3/9	110	94½	Mid Kent Water 9% Red. Prf. 1987	94½	.....
	F.P.	17/7	104¼	95	Mount Charlotte 9½% Cnv. Ln. 1995-2000	96	.....
100	F.P.	—	100⅛	100	Nat'wide Bdg Society 14⅜% Bds 25/8/82	100⅛	.....
100	F.P.	23/7	179	101	Prop. Hldg. & Inv. Tst. 8½% Cnv. Ln.	101	−½
**	F.P.	21/9	95p	82½p	Sterling Credit 3.5% Cnv. Red. Pref.	84p	.....
100p	F.P.	11/8	100½p	75p	'W' Ribbons 10% Cum. Red. Prf. '95-96	75p	.....
*100	F.P.	24/9	101½	100½	York Waterworks 10% Red. Pref. '85	101½	.....

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
22	F.P.	31/7	11/9	24	22½	A.I.D.	23½	.....
60	Nil	—	—	24pm	15pm	Amal. Dist. Products	15pm	−2
275	135p	13/7	2/12	182	130	BP	160	−2
42	F.P.	20/8	17/9	53	50	Buckley's Brewery	53	.....
808	Nil	16/9	14/10	5pm	1pm	Drayton Far East'n (Units)	1½pm	.....
11	F.P.	28/8	30/9	15	10½	Gartons	10½	−½
62	F.P.	11/9	7/10	74½	69	H.A.T. Group	71½	.....
12	Nil	9/10	18/9	18pm	11pm	Jantar	13pm	.....
131	F.P.	28/8	25/9	178	156	Ladbroke	166	+2
110	F.P.	7/9	19/10	133½	116	Laird Grp.	131	−2
35	F.P.	21/8	2/10	53	41	Lane (Percy)	53	+2
107	Nil	—	—	14pm	7pm	Morgan Crucible	7pm	.....
77	F.P.	30/8	25/9	92	81	Moss Engineering	88	.....
160	F.P.	9/7	12/8	203	185	New Court Nat.Res. Units	202	−1
A$1	Nil	—	—	148pm	78pm	Pancontinental	78pm	.....
85	Nil	—	—	74pm	67pm	Property Sec. Inv. rt.	67pm	−1
13pm	Nil	—	—	13pm	9pm	Trusthouse Forte	12pm	.....
360p	F.P.	9/9	9/10	550	486	Utd. Scientific	486	−1
15	F.P.	11/9	25/9	17½	14½	✠Willaire Systems	14½	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 8 Ordinary and 3 Warrants.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

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COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

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BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

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Components

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Garages and Distributors

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NEWSPAPERS, PUBLISHERS

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PAPERS, PRINTING ADVERTISING

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INSURANCE

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PROPERTY—Continued

[illegible]

SHIPPING

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SHOES AND LEATHER

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SOUTH AFRICANS

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TEXTILES

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TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

PROPERTY

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Yld Gr's
45	32	Acmex 50c	42	......	Q2.5c	—	3.7
41	14	ACM 20c	32	+2	—	—	—
21	11½	Argosy Gold NL 25c	12	......	—	—	—
229	137	Bond Corp.	170	......	Q10c	ϕ	3.7
112	76	Bougainville I Kina	183	+1	†Q25.4c	1.6	‡
302	214	CRA 50c	228	......	Q19c	1.7	5.1
25	14	Canada Northwest	14	......	—	—	—
35	15	Carr Boyd 20c	17	+1	—	—	—
415	46	Central Pacific	46	......	—	—	—
35	12	Cons. Gold Mis. N.L. 50c	12	......	—	—	—
47	19	Cultus Pacific N.L.	19	......	—	—	—
68	22	Eagle Corp. 10c	33	−1	—	—	—
40	26	Endeavour 20c	26½	......	—	—	—
500	310	G. M. Kalgoorlie 25c	500	+20	Q32½c	ϕ	4.0
25	8	Great Eastern	9	......	—	—	—
185	95	Greenbushes Tin 50c	95	−5	Q6c	1.9	3.8
275	175	Hampton Areas 10p	185	......	2.5	3.1	1.9
168	39	Haoma Gold N.L.	42	−1	—	—	—
85	22	Intl. Mining	27	+5	—	—	—
118	29	Jimberlana (50cFP)	33	......	—	—	—
15	10	Kalbara Min 20c	13	......	—	—	—
245	135	Kitchener NL 25c	215	+30	—	—	—
105	22	Leichardt Explo.	38	......	—	—	—
490	275	Meekatharra	408	......	Q5c	ϕ	3.7
70	47	Metals Ex. 50c	50	......	—	—	—
38	20	Metramar Mns. 20cts.	23	......	—	—	—
20	10	Mid East Mins. NL	11	+½	—	—	—
290	190	M.I.M. Hldgs. 50c	290	......	Q15c	ϕ	3.8
21	8½	Minefields Expl. 25c.	8½	−½	—	—	—
20	13	Newmetal 20c	19	......	—	—	—
69	41	Nickelore N.L.	52	+1	—	—	—
204	149	North B. Hill 50c.	175	......	Q18c	3.1	6.4
84	50	Nth. Kalgurli	76	+4	—	—	—
200	94	Nth. Mining Corp.	176#	......	ϕ	—	—
122	34	N. West Mining N.L.	37	−2	—	—	—
150	106	Oakbridge 50c	130	......	Q6½c	ϕ	3.1
185	120	Otter N. L.	120	−5	—	—	—
188	160	Pacific Copper	164	......	—	—	—
*423	146	Pancont'l 25c	148	+2	—	—	—
88	42	Paringa M&Ex. 5p	80	......	ϕ	—	—
525	375	Peko-Wallsend 50c.	405	......	Q15c	—	2.3
43	24	Pelsart Res NL	25	−1	—	—	—
120	65	Seltrust A.	72	−2	—	—	—
157	20	Southern Pacific	23	......	—	—	—
100	40	Swan Resources 20c.	63	−2	—	—	—
320	135	Vultan Mins 20c	135	......	—	—	—
18½	9½	West Coast 25c	12½	......	—	—	—
130	100	Westn. Cont 50c	115	+5	—	—	—
327	227	Westn. Mining 50c.	303	−5	Q14c	ϕ	2.8
27	14	Westmex	15	......	—	—	—
76	46	Whim Creek 20c.	54	+2	—	—	—
101	40	York Resources	40	−1	—	—	—

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Yld Gr's
16	8½	Amal Nigeria 1p	9½	+½	56.0	—	—
300	220	Ayer Hitam SM1	220	......	†Q205c	1.0	‡
230	98	Geevor	170	−20	—	—	—
11	8	Gold & Base 12½p	11	+½	—	—	—
660	500	Gopeng Cons.	500	......	‡30.0	1.8	‡
450	330	Hongkong	330	......	21.0	ϕ	9.1
137	110	Idris 10p	116	+1	‡9.0	0.6	‡
*29	6	Jantar 12½p	25xd	......	N1.5	ϕ	8.6
98	77	Kamunting SM0.50	77xd	......	Q27½c	0.8	0.0
665	363	Killinghall SM1	525xd	......	N66.7c	ϕ	2.9
114	88	Malay Dredging 10c	114#	......	ϕ4038c	0.9	7.7
68	30	Pahang	32	......	‡0.63	0.8	‡
118	90	Pengkalen 10p	105	......	3.5	0.6	4.8
380	310	Petaling SM1	310	......	‡Q180c	1.4	‡
25	19	South Crofty 10p	24#	......	—	—	—
225	190	Sungei Besi SM1	190xd	......	Q310c	1.1	36.8
185	95	Supreme Corp. SM1	100	......	‡Q15½c	ϕ	3.5
118	100	Tanjong 15p	100	......	3.5	3.7	5.0
90	67	Tongkah H. Tin $Sm	67	......	Q23%	0.4	6.8
410	260	Tronoh SM1	250	......	Q110c	1.2	9.5

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Yld Gr's
410	165	Messina R0.50	365	−5	†Q45c	4.7	7.1

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Yld Gr's
175	75	Anglo-Dominion	75	−15	—	—	—
55	10	Barymin	10	−1	—	—	—
25½	14	Burma Mines 10p	17	......	0.75	0.9	6.3
330	180	Colby Res. Corp.	190	+5	—	—	—
310	200	Cons. Murch. 10c.	290	+10	‡Q30c	1.8	5.9
9½	6	††Exploura Gold	9½	......	—	—	—
98	55	††Hemerdon 10c.	58	−4	—	—	—
180	95	Highwood Res.	100	+5	—	—	—
505	309	Northgate C$1	355	......	—	—	—
633	372	R.T.Z.	532	+2	16.0	3.2	4.3
£130½	£93½	Do. 9½%Cv.Ln.'95-2000	£119	+1	Q9½%	—	f8.1
103	20	††SPO Minerals 10p	20	......	—	—	—
47	22	Sabina Inds. C$1	27	......	—	—	—
44	28	††SWCM 10p	38	......	—	—	—
585	465	Tara Exptn. $1	570	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a): not listed on any Stock Exchange and not subjected to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	46	......	**IRISH**		
Bertrams	10	......	Conv. 9% '80/82	£92¼	......
Bdg'wtr. Est. 50p	465	......	Nat. 9¼% 84/89	£69¼	......
Craig & Rose £1	£15	......	Fin. 13% 97/02	£73⅝xd	......
Finlay Pkg. 5p	22	......	Alliance Gas	63	......
Graig Ship. £1	£21	......	Arnott	225	......
Higsons Brew	67	......	Carroll (P.J.)	78	......
Holt (Jos) 25p	520	......	Concrete Prods.	90	......
I.O.M. Stm. £1	167	......	Helton (Hldgs.)	28	......
Pearce (C. H.)	860	......	Irish Ropes	44	......
Peel Hldgs.	100	......	Jacob	66	......
Sheff. Refrshmt	92	......	T.M.G.	16½	......
Sindall (Wm.)	194	......	Unidare	75	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	14	Utd. Drapery	6½
A. Brew	6½	I.C.I.	20	Vickers	18
BOC Intl.	11	"Imps"	7	Woolworths	6
B.S.R.	7	I.C.L.	6		
Babcock	11	Ladbroke	30	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	37
Boots	28	"Lots"	4½	MEPC	20
Bowaters	24	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	25	"Mams"	20	Town & City	2¾
Brown (J.)	9	Mrks. & Spncr	11		
Burton Ord.	14	Midland Bank	26	**Oils**	
Cadburys	7½	N.E.I.	8	Brit. Petroleum	33
Courtaulds	7	Nat. West. Bank	32	Burmah Oil	16
Debenhams	10	P & O Dfd.	12	Charterhall	8
Distillers	17	Plessey	28	KCA	22
Dunlop	8½	Racal Elect.	34	Premier	7½
Eagle Star	25	R.H.M.	5	Shell	52
F.N.F.C.	3	Rank Org. Ord.	18	Tricentrol	30
Gen. Accident	30	Reed Intnl.	25	Ultramar	44
Gen. Electric	60	Sears	5		
Glaxo	28	Tesco	5½	**Mines**	
Grand Met.	18	Thorn EMI	50	Charter Cons.	21
G.U.S. 'A'	44	Trust Houses	25	Cons. Gold	45
Guardian	30	Tube Invest.	35	Lonrho	9
G.K.N.	15	Turner & Newall	10	Rio T. Zinc	45
Hawker Sidd	25	Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Friday September 11 1981

Healey debates with rivals

BY CHRISTIAN TYLER, LABOUR EDITOR

THE THREE candidates for the deputy leadership of the Labour Party took part in a face-to-face debate last night for the first time in the contest.

The appearance of the three, at a fringe meeting in Blackpool, where the Trades Union Congress is being held, provided the political climax to a week dominated by the leadership race.

Incomes policy, inflation, unemployment, wealth, nuclear defence and the EEC were among the topics covered by the contestants, the incumbent Mr Denis Healey, his challenger Mr Tony Benn, and the outsider, Mr John Silkin.

The debate was good humoured and evenly matched, despite the clear majority support for Mr Benn in the audience. Mr Silkin, who has been looking rather friendless this week, distinguished himself and was far from being eclipsed by his better known rivals.

Opening the debate, Mr Benn refuted attacks on his campaign by Mr Michael Foot, the Labour leader, in the last few days. He said the contest was not "a conflict between individuals." It was not about the position of Mr Foot, nor whether the party was in favour of parliamentary democracy; nor was it about stirring distrust between members of the Parliamentary Labour Party.

It was about securing policies agreed by the trade unions and the party, advancing the rights of women, restoring self-government to Britain, and turning to a non-nuclear defence policy.

The Trades Union Congress in Blackpool swung into line with the Labour's Party's Left-wing by overwhelmingly voting for unilateral nuclear disarmament, marking a major shift in policy. Congress reports Page 10

Britain's resources could not be properly employed under capitalism, he declared. "We cannot go back to the policies of 1979, to the policies of wage restraint which undermined the Labour Government, but also the role of the trade union movement."

Mr Healey, in defending his position against a fast-moving Benn bandwagon, took the gloves off as he faced up to some vigorous heckling.

He said the real question was whether his audience sincerely wanted a Labour Government. They would not get one without unity and without preserving Labour's traditional broad church toleration.

He then turned his attention to Mr Benn's left-wing supporters, identifying what he called elitists who despised the rank-and-file, Communists and Trotskyists, and a "rag tag and bobtail."

There was an "ideological narcissism" abroad that had helped bring the Conservatives to power. "We are not losing votes to the Socialist Workers' Party or the International Marxist Group but to the Social Democrats and Liberals."

Mr Silkin, in a frank and measured speech, listed his own qualifications for the job.

He said he stood for those who did not want to be labelled Bennite or Healeyite. His record was a consistent one, his sponsorship by the Transport Workers Union gave him an understanding of the trade unions, and he had a reputation as a conciliator in the party, he said.

Richard Evans, Lobby Editor, writes: In an interview on BBC Radio's World at One, Mr Benn laid down the four factors which would affect his decision on whether to fight again for the deputy leadership, should he fail to unseat Mr Healey this year.

The widespread assumption of Labour MPs has been that Mr Benn will contest the deputy leadership next year, whatever the outcome of the present contest.

According to Mr Benn yesterday, this would not necessarily be the case. It would depend on whether:

- there were a lot of abstentions in the election;
- more MPs left the party;
- an attempt was made to change the present election formula;
- the Shadow Cabinet presented the policies of the Labour Party fairly in the House of Commons.

Thatcher, Mitterrand discuss EEC

BY RICHARD EVANS AND ROBERT MAUTHNER

REFORM OF the European Economic Community budget was one of the key issues discussed in two hours of talks at Downing Street yesterday between Mrs Margaret Thatcher and President Francois Mitterrand of France.

The talks will be continued today. They are regarded by British Ministers as important for the development of the relationship between Mrs Thatcher and the French Socialist leader.

Differences in attitude over the Community budget, particularly on possible French concessions to meet Britain's grievance over what the UK Government sees as its unacceptable level of contributions, were immediately apparent. These could be disclosed at a joint Press conference today. The personal relationship between the two leaders was said to be excellent.

Concorde was discussed in talks between M Charles Fiterman, the French Transport Minister, and Mr Norman Tebbit, Minister of State for Industry. According to British officials, M Fiterman did not press for suspension of commercial services.

In those talks the Airbus 320 project was discussed in general terms. Further negotiations are likely today.

In separate talks lasting more than two hours Lord Carrington, the Foreign Secretary, and M Claude Cheysson, his French counterpart, discussed international problems and Anglo-French bilateral relations. They concentrated on the tense situation in Southern Africa and the current debate in the UN General Assembly on Namibia.

The two Ministers discussed ways and means of patching up the disagreements within the so-called five-nation contact group on Namibia, following the U.S. veto of a UN Security Council resolution condemning the South African incursion into Angola.

EEC matters were discussed by Sir Ian Gilmour and M Andre Chandernagor, the British and French Ministers in charge of European Affairs.

M Chandernagor gave a general outline of how France sees the development of the Community.

John Elliott adds: Industrial problems and prospects for collaboration between the two countries were discussed last night by Sir Keith Joseph, Industry Secretary, and M Pierre Dreyfus, the former head of Renault who is now the French Minister for Industry.

The work of a Franco-British committee for industrial co-operation set up in 1976 was reviewed. M Dreyfus also explained the French Government's nationalisation plans to Sir Keith.

Today Sir Keith meets M Jean-Pierre Chevenement, Minister for Research.

Begin and U.S. pledge strategic co-operation

By David Buchan in Washington

President Ronald Reagan of the U.S. and Mr Menahem Begin, Prime Minister of Israel, yesterday pledged their countries to "strategic co-operation" against increasing Soviet influence in the Middle East.

The two men were speaking, at the end of their first meeting whose cordiality was apparently not marred by continued differences over the proposed sale of U.S. radar aircraft (AWACs) to Saudi Arabia.

Mr Begin called the decision to work together against the "danger of Soviet expansion" a "very weighty" move in the common interest of the U.S. and Israel.

Mr Ariel Sharon, the Israeli Defence Minister, and Mr Caspar Weinberger, his U.S. counterpart, will today discuss practical details of future military cooperation.

Possible means of co-operation are said to range from the U.S. sharing intelligence and Israel offering its repair facilities for U.S. ships and equipment, to be positioning in Israel of U.S. military supplies, and joint military exercises.

Such security ties would be closer than existed even between the Nixon administration and Israel. Mr Begin said he would be happy to have the U.S. use bases in the Sinai, but he did not want to embarrass President Anwar Sadat of Egypt, who objected "very strongly" to such an idea.

The Israeli leader said he was given every chance to convince the U.S. President that the AWACs sale endangered Israel but to no avail. "Each side keeps to his own opinion he said after his three sessions in the Oval Office.

By David Lennon in Tel Aviv adds: Israel has asked the U.S. for $3bn (£1.65bn) in military and economic aid for the 1983 American budget year which begins in October 1982.

Washington approved $2.2bn of a similar-sized request submitted 12 months ago for the 1982 budget year.

This is the first Israeli aid request submitted to the Reagan Administration and Washington's response will be seen as an important practical indicator of its attitude towards Israel.

Weather

UK TODAY

Rain in the E. will clear during the morning. Cloudy with bright intervals and scattered showers most frequent in the W.

London, N.E., Central England, Midlands, Borders, Channel Is.
Cloudy, sunny intervals, perhaps scattered showers later. Max. 20C (68F).

S.E. England, E. Anglia
Rain clearing, sunny intervals. Max. 22C (72F).

W. England, Wales, Lake District, Isle of Man, S.W. Scotland, N. Ireland
Cloudy, showers and bright intervals. Wind strong to gale. Max. 20C (68F).

Aberdeen area, Central Highlands, N. Scotland, Orkney, Shetland
Cloudy, bright intervals, showers. Wind strong to gale. Max. 18C (64F).

Outlook: Unsettled with temperatures near normal.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	26	79	L. Ang.†	C	18	64
Algiers	F	31	88	Luxmbg.	F	21	70
Amsdm.	S	22	72	Luxor	S	34	93
Athens	F	26	79	Madrid	S	25	77
Bahrain		—	—	Majorca	S	28	82
Barclna.	S	26	79	Malaga	S	26	79
Beirut	F	28	82	Malta	S	27	81
Belfast	R	14	57	M'chstr	S	21	70
Belgrd.	S	26	79	Melbne.	S	25	77
Berlin	F	21	70	Mx. C.†		—	—
Biarritz	S	28	82	Miami†	S	24	75
Bmghm.	S	23	73	Milan	R	18	64
Blackpl.	C	20	68	Montrl.†	R	9	48
Bordx.	F	24	75	Moscow	C	19	66
Boulgn.	S	23	73	Munich	S	19	66
Bristol	C	21	70	Nairobi	C	26	79
Brussels	S	22	72	Naples	F	25	77
Budpst.	R	17	63	Nassau		—	—
Cairo	F	30	86	Nwcstl.	S	21	70
Cardiff	C	20	68	N York†	S	15	59
Cas'b'ca	S	25	77	Nice	C	21	70
Cape T.	S	20	68	Nicosia		—	—
Chicg.†	S	17	63	Oporto	C	21	70
Cologne	S	23	73	Oslo	C	16	61
Cpnhgn.	S	18	64	Paris	S	25	77
Corfu	S	27	81	Perth	F	18	64
Denver†	C	16	61	Prague	C	18	64
Dublin	R	14	57	Rykjvk.	S	4	39
Dbrvnk.	C	22	72	Rhodes	S	26	79
Ednbgh.	F	22	72	Rio J'o†		—	—
Faro	S	29	84	Rome	F	26	79
Florence	F	23	73	Salzbrg.	S	21	70
Frankft.	S	23	73	S'cisco†	S	12	54
Funchal	F	25	77	S. Mdtz.		—	—
Geneva	C	18	64	Singapor.		—	—
Gibrltr.	S	27	81	S'tiago†		—	—
Gl'sg'w	C	20	68	Stckhm.	S	20	68
G'nsey	S	19	66	Strasbg.	S	20	68
Helsinki	F	16	61	Sydney	S	20	68
H. Kong	F	29	84	Tangier	S	25	77
Innsbrk.	F	21	70	Tel Aviv	S	27	81
Invrnss.	C	20	68	Tenerife	S	29	84
I.o.Man.	C	17	63	Tokyo	C	25	77
Istanbul	R	26	79	T'r'nto†	C	17	63
Jersey	F	22	72	Tunis	S	34	93
Jo'burg		—	—	Valencia	S	30	86
L. Plms.	S	25	77	Venice	F	22	72
Lisbon	F	24	75	Vienna	F	18	64
Locarno	R	17	63	Warsaw	C	20	68
London	S	24	75	Zurich	C	18	64

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

Turner shrinks into the black

It takes a strong magnifying glass to detect the recovery at Turner and Newall, but at least the group has struggled back to pre-tax profits of £8.5m in the first half of the year compared with the overall loss of £5.8m in the second half of 1980. Buoyant profits in Africa — notably Zimbabwe — have bolstered the numbers at the trading profit level but have done little, however, for attributable earnings which remain negative for the half-year. Disappointingly, Continental Europe and the U.S. are going backwards rather than forwards. In the UK, with the plastics side still suffering badly, the group is barlely in the black at the pre-interest level — though, nevertheless, this is some improvement on the operating losses being suffered late last year.

Like much of British industry, T and N now hopes it is shrinking its way back into profits. The improvement between the last two half-years has been achieved despite a 2 per cent volume fall; earnings should now respond strongly to any stabilisation, let alone recovery, in volume. But profits need to rise a long way to balance the group's cash flow, with net borrowings up some £19m in the first half. Up 3p to 93p, the shares yield an almost wholly unearned 9.5 per cent.

Index rose 2.2 to 548.6

BTR

To judge by yesterday's interim statement, BTR's profits this year could approach £90m compared with £70.3m in 1980. The dividend is set to rise by about a fifth, which is rather greater than the likely increase in profits per share following last autumn's rights issue. And further progress is in view for 1982.

Interim profits are up from £35.7m to £43m before interest and exchange rate movements, entirely thanks to the overseas companies. The Huyck acquisition in the U.S. has brought in an extra £5m, and the contribution from South Africa and Australia is up by more than £4m. But the UK profits are down by about £4m, and now represent well under two-fifths of the total. The motor components side has had a particularly rough time. BTR is not looking for volume recovery over the rest of the year, but it does hope to rebuild its UK margins a little.

Meanwhile the group is looking for another big acquisition in the U.S., and has plenty of room for manoeuvre. It could pay out the best part of £150m before it started to strain its current balance sheet. The shares at 350p are on a prospective yield of about 3¼ per cent and a p/e of roughly 21 fully taxed, and they still have lots of friends.

United Biscuits

United Biscuits' pre-tax profits are up by 50 per cent to £24.1m in the first half of 1981. The figures are helped by comparison with a dull period last year, and some of the improvement must stem from the large amounts of cost written off in the 1980 accounts, when gross extraordinary debits totalled £30m. Still, there is plenty of quality as well: UB is winning back market share in biscuits, with branded volume up 1 per cent and own label volume sales 6 per cent higher.

The benefits of UB's high capital spending are now coming through strongly: unit labour costs are down, and the group is holding its biscuit prices unchanged. Snack volume is up strongly — at least on the own label side—and U.S. profits are up from £8.0m to £12.3m at the trading level. Since UB translates trading items at average exchange rates, nearly all this improvement reflects higher dollar earnings.

Pre-tax profits for the year of more than £60m, against £47.5m, should take fully-taxed earnings above 9½p a share after five years on a plateau around 8p. UB shares have been a very strong market this year; now, at 128p, they stand on 13 times fully-taxed earnings and yield a prospective 5¾ per cent.

Enserch/Davy

After six months of study, the Monopolies Commission has reached the unastounding conclusion that the bid for Davy Corporation from the U.S. group Enserch might be detrimental to the public interest and should therefore not be allowed to proceed. Convincing arguments are thin on the ground; "lengthening of the chain of management command" is a pretty feeble reason for banning a take-over bid, while in one critical passage the Commission hints that the U.S. Foreign Corrupt Practices Act leaves U.S.-owned companies with one hand tied behind their backs when trying to win orders.

What the decision really hangs on is "the loss of Davy's national character." The Commission produces figures to show that U.S.-owned process plant contractors in Britain source much less of their work to British manufacturers than Davy does; that this might be related to Davy's own UK manufacturing capacity is not considered. It is ironic that Davy, at the time of its bid for the U.S. company McKee, argued that it was important to be perceived as a U.S. company in order to win business. Now, of course, it claims that to have a U.S. parent would be damaging to its prospects.

There may be perfectly good reasons, involving the national interest, for Davy not to come under foreign control. The longer-term question is whether this sort of consideration should be confused with competition policy and shuffled off onto the Monopolies Commission.

No decision yet on gas pipeline project

By Sue Cameron

THE FUTURE of Britain's planned £2.7bn North Sea gas gathering pipeline was still in the balance last night after a financing meeting attended by the Prime Minister and senior members of the Cabinet ended in deadlock.

The meeting was the second of its type in a fortnight. The Prime Minister is expected to attend further meetings on the pipeline scheme soon, but the Department of Energy fears time may be running out for the project.

Energy ministers are firmly committed to it and they had hoped the Prime Minister would give the go-ahead for the Government to guarantee funds yesterday.

Such a move has been strongly opposed by the Treasury—mainly on the grounds that the Government could end by financing most of the scheme.

Mr David Howell, Energy Secretary, Mr Hamish Gray, Minister of State at the Energy Department, and Sir Geoffrey Howe, the Chancellor, were among those who attended the meeting. Last night there were reports that Mrs Thatcher had bitterly criticised the two Energy Ministers.

The British Gas/Mobil/British Petroleum pipeline steering committee has already told the Government a management contract for the construction of a gas collection terminal at St Fergus on the Scottish coast needs to be signed this month.

The committee, set up a year ago to oversee the initial work on the pipeline, also has options on two pipelaying barges. It is understood the options run out on September 22, one reason why Energy Ministers want a quick decision on funding for the line.

Unigate to shut Scot Meat plant

BY REG VAUGHAN

UNIGATE, one of Britain's leading dairy grocery groups, is pulling out of the manufacture of cooked ham products with the loss of 1,500 jobs.

About 1,200 of those will be at the Scot Meat plant at Bletchley, Bucks, which is to close. Another 300 will go with the closure of related selling and distribution operations elsewhere.

Behind the decision were "heavy financial losses and the long term decline in the cooked ham market," the company said.

Scot Meat was acquired by Unigate in 1972 as part of its takeover of Scot Bowyers. Since then, the company said, it had been profitable in only one year.

Losses in the past two years totalled £4m, and were expected to reach £4.5m in 1981/82.

The Bletchley closure, due by December 12, is a big blow for the new town of Milton Keynes, which includes Bletchley. Local unemployment is already running at over 10 per cent.

"Job losses on this scale are tragic," Milton Keynes Development Corporation said. "It would take a long time to absorb the impact of this decision."

The closure of the Scot plan, established in Bletchley for over 15 years, was the first on that scale the area had had to suffer. "The only consolation was that new jobs continued to be attracted into the area," with around 2,500 to 3,000 coming last year.

Mr Reg Thomas, a district official of the Transport and General Workers Union, the main union involved, said an urgent meeting was being sought with the main Unigate board to try and mitigate the effects of the closure.

Scot's main competitors in cooked ham are Mattessons and T. W. Wall.

Scot, which had a turnover of £38m in 1979/80, produces 37 tons of cooked ham a week mainly for the industrial catering trade.

Unigate group profits overall in the last financial year were £38.5m against £51.4m in the year to end March, 1980. Mr John Clement, chairman, told the annual meeting in London yesterday, he was "guardedly optimistic" about prospects for the current year.

Continued from Page One

British Airways cuts

that will lead to profits next year."

This would be achieved without the airline breaching its external finance limit for the current financial year.

In 1980-81 the airline's external finance limit was £219m. This was raised by £85m to a new total for 1981-82 of £304m. A further increase is expected to be negotiated in the current financial year.

The airline told the Government of its proposed measures yesterday afternoon. "But we have no intention of asking the Government for help. We intend to stay inside the external finance limit because our measures are a matter of self-help."

Mr. Watts said he believed the Government would welcome the measures to be taken by the airline.

The sale of aircraft and property assets would raise about £170m.

Passenger volume was still falling at a rate of 4 per cent to 5 per cent a year. The average fare was still falling, Mr. Watts said.

Mark Meredith adds from Edinburgh: Mr Alan Devereaux, chairman of the Scottish Tourist Board, said that BA's decision to close its station at Prestwick Airport, south-west Scotland, was "the worst industrial news since the closure of Upper Clyde Shipbuilders."

The Government should be encouraging the spread of air traffic to Scotland instead of pulling the plug out of the tourist trade to the area.

"The Government, as the sole shareholder, has the responsibility not just to stop a move that is damaging to Scotland's major industry and all Scottish major currency-earners, but to take steps to encourage the growth of tourism."

Mr Russell Johnston, Liberal MP for Inverness, said he was appalled at the possible loss of 11 British Airways' routes inside Scotland.

Continued from Page 1

Solidarity

Christopher Bobinski adds: Mr Walesa earlier in the day strengthened his hold on the leadership when delegates voted on union rules which will allow him to hold the two most powerful posts.

Although elections of union officers will not be held until the second stage of the congress later this month, Mr Walesa seems assured of being chosen as national leader. He is also likely to emerge as top man in the Gdansk branch from which the 10m-member union developed last summer.

"I want to win," Mr Walesa told the meeting, "but I will not stand as leader of a lost cause," he declared, dropping yet another hint that he might resign if he did not have his way.

"We must have a strong leadership in time of struggle when the other side is too strong, has got police and army and is by no means a loser."

West German first-half GNP falls 1.3%

BY JONATHAN CARR IN BONN

WEST GERMANY is heading for its first year of negative growth since 1975.

Gross national product fell in real terms by 1.3 per cent in the first half of the year, compared with the same period of 1980, according to the Federal Statistical Office figures issued yesterday.

Though the decline is expected to continue in the second half, it is predicted that it will be less severe, according to Westdeutsche Landesbank in its latest report on the economic outlook.

The bank's hopeful projection is in line with expectations of the Bonn Government when it predicts that averge reduction in real GNP for the whole year will not exceed 1 per cent.

The fall was less sharp in the first half of the year than was widely feared in the spring when the country's five leading economic institutes forecast a drop in real terms of 2.5 per cent.

Unexpectedly strong growth in exports of goods and services —up by a real 3.2 per cent— helped make up for a decline of more than 2 per cent in domestic demand.

Westdeutsche Landesbank argues that export performance in the second half will be still better, despite the continuing weakness of the home market.

According to the bank an economic upswing will not emerge until 1982 when it is expected to be strong and to bring 2.5 per cent real GNP growth. The bank expects an increase in the visible trade surplus to DM 35bn (£8bn) after about DM 17bn this year, and a cut in the current account deficit to DM 8bn from DM 25bn.

These predictions are among the most positive this year. A gradually improving current account position and a stronger D-mark are now expected by most economists.

Despite strong economic growth, however, unemployment is still expected to increase, partly because of rationalisation and partly because more people are coming onto the labour market.

In its latest budget estimates for 1982, the Government is assuming an average 1.4m unemployed. For this year it was expecting an average of 1.2—or about 5 per cent of the labour force—but this figure seems almost certain to be exceeded.

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